

Moving Forward Through Change

## BII in Brief

PT Bank Internasional Indonesia Tbk (BII) remains one of the leading and well-known banks in Indonesia, despite the near collapse of the nation's banking sector following the break-out of the Asian financial crisis in 1997. Established in 1959, BII was licensed as a foreign-exchange bank in 1988, listed its shares on the Jakarta Stock Exchange in 1989, and evolved to become one of the largest private national banks in Indonesia. During the past two years of economic crisis, like many other banks in Indonesia, BII suffered operating losses which eroded its equity base. Nevertheless, with basically sound fundamentals, it qualified for the bank recapitalisation programme of the Indonesian government. Today, with a strengthened equity and major changes to its operations, BII is ready to provide its customers with quality banking products and services, and to resume its growth in Indonesia's economic recovery.

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# Financial Highlights

in millions of Rupiah [unless stated otherwise]

|                         | 1999        | 1998*        | Change [%] |
|-------------------------|-------------|--------------|------------|
| <b>For the Year</b>     |             |              |            |
| Interest Income         | 4,783,325   | 7,043,497    | (32.1)     |
| Net Interest Income     | (1,155,123) | (1,489,915)  | 22.5       |
| Net Income Before Taxes | (2,057,634) | (11,772,493) | 82.5       |
| Net Income              | (2,092,809) | (10,790,097) | 80.6       |

## At End of Year

|                                       |                |               |        |
|---------------------------------------|----------------|---------------|--------|
| Loans [Gross]                         | 11,804,944     | 18,524,826    | (36.3) |
| Earning Assets                        | 33,551,990     | 40,089,043    | (23.4) |
| Total Deposits                        | 26,101,065     | 26,912,739    | (3.0)  |
| Borrowings                            | 5,102,318      | 5,785,308     | 11.8   |
| Shareholders' Equity                  | 1,936,134      | (8,677,126)   | 122.3  |
| Total Assets                          | 40,185,239     | 35,241,838    | 14.0   |
| Outstanding Shares [number of shares] | 92,793,360,445 | 3,234,444,969 | -      |

## Average Balance

|                                       |                |               |        |
|---------------------------------------|----------------|---------------|--------|
| Loans [Gross]                         | 15,164,885     | 17,611,861    | (13.9) |
| Earning Assets                        | 36,820,517     | 31,295,046    | 17.6   |
| Total Deposits                        | 26,506,902     | 20,568,004    | 28.9   |
| Borrowings                            | 5,443,813      | 5,452,352     | (0.2)  |
| Shareholders' Equity                  | (3,370,496)    | (3,060,700)   | (10.1) |
| Total Assets                          | 37,713,539     | 29,969,759    | 25.8   |
| Outstanding Shares [number of shares] | 48,013,902,707 | 3,234,423,709 | -      |

## Financial Ratios [%]

|                          |        |         |   |
|--------------------------|--------|---------|---|
| Capital Adequacy Ratio   | 4.43   | -24.65  | - |
| Return on Average Assets | -5.55  | -36.00  | - |
| Return on Average Equity | -62.09 | -352.54 | - |
| Net Interest Margin      | -3.14  | -4.91   | - |

## Per Share [Rp]

|                      |      |         |      |
|----------------------|------|---------|------|
| Net Income / (Loss)  | (39) | (2,780) | 98.6 |
| Shareholders' Equity | 40   | (2,682) | 98.4 |

## Quarterly Share Price [in Rupiah]

|               | 1999    |        | 1998    |        |
|---------------|---------|--------|---------|--------|
|               | Highest | Lowest | Highest | Lowest |
| First Period  | 250     | 125    | 725     | 250    |
| Second Period | 300     | 100    | 825     | 275    |
| Third Period  | 225     | 100    | 425     | 125    |
| Fourth Period | 175     | 100    | 350     | 100    |

## Share Performance [in Rupiah]

|                       | 1999 | 1998     |
|-----------------------|------|----------|
| Highest Price         | 300  | 825      |
| Lowest Price          | 100  | 100      |
| Year End Price        | 150  | 225      |
| Earnings Per Share    | (39) | (2,780)* |
| P/E Ratio             | N/M  | N/M      |
| Dividend Payout Ratio | N/M  | N/M      |

\* Notes: - The figures for 1998 have been restated to reflect the retroactive changes from the implementation of PSAK No. 1, 46, 47 and 50.  
- N/M = Not Meaningful



**Left to right:**

Sudiarso (Commissioner), Suad Husnan (Commissioner),  
Teddy Pawitra (President Commissioner), Winarto Soemarto (Deputy  
President Commissioner) and Aditiawan Chandra (Commissioner).

**Not available for this group photo were:**

Rusli Prakarsa and Anggito Abimanyu (President Commissioner and  
Commissioner, respectively, effective March 27, 2000 ).



## Message from the President Commissioner

Bank Internasional Indonesia (BII) underwent a major management change in 1999 as part of our recapitalisation. We were one of nine private national banks that qualified for this programme of the Indonesian Bank Restructuring Agency (IBRA).

Under this programme, our recapitalisation was carried out through rights issue in March 1999 and June 1999. This raised the level of our equity to Rp 1,936.1 billion as at year-end 1999, and brought our capital adequacy ratio for risk-adjusted capital to 4.43%, meeting the 4% requirement of the Indonesian bank restructuring programme for the time being, and providing a good base from which to rebuild our CAR further to meet the 8% minimum.

Following our recapitalisation, two extraordinary shareholders meetings took place on 1 September 1999 and 27 March 2000 to change the composition of our Board of Commissioners and Board of Directors. The new management of BII today is comprised of highly experienced bankers from both the government and private sectors, as well as outstanding academicians from leading universities. With these appointments, BII will move forward with a structure that clearly separates management from ownership.

While the roles of the founding shareholders were important in shaping BII into one of Indonesia's largest and most respected banks, the demand for change as a result of the Asian financial crisis has brought radical and structural changes to our business environment as well as in the way the market today evaluates a company. Therefore, we believe that a fully professional management will be better suited to meet the challenges of the future.

Despite our focus on managing the crisis in 1999 and 1998, we believe that there is a thin line between crisis and opportunity. Moving forward, we will seek out the opportunities that now exist for well capitalised banks, and take advantage of the consolidated banking sector in Indonesia.

With the continuing support of our stakeholders, for which we express our gratitude and appreciation, we look forward to a new era of growth for Bank Internasional Indonesia.

A stylized, handwritten signature in black ink, appearing to read 'Teddy Pawitra'. The signature is fluid and extends across the width of the text block below it.

TEDDY PAWITRA  
President Commissioner  
(1 September 1999 - 27 March 2000)





Left to right:

Gustiono Kustianto (Deputy President Director),  
Hedy Lopian (Director), Rudy N . H amdani (Director),  
Hiroshi Tadano (President Director), Fransiska Oei (Director),  
Yap Tjay Soen (Deputy President Director),  
Raymond Yauwenas (Director),  
Halim Susanto (Director).



## President Director's Report

The state of the Indonesian economy prevented an early recovery in the banking sector in 1999. Despite the significant rally in the fourth quarter which brought positive GDP growth of 0.23% for the year, as opposed to the 13.20% contraction in 1998, this was not enough to bring the economy out of its recession. For the most part of the year, banks still had to contend with an inordinate amount of nonperforming loans, persistent negative spreads, and the continuing deterioration of earning assets as well as collateral assets.

Amidst these challenging conditions, Bank Internasional Indonesia reported a net loss of Rp 2.1 trillion for fiscal year 1999, primarily due to negative spreads and provisions for deteriorating assets.

Nevertheless, we continue to press forward. We have taken stronger measures for the restructuring and collection of our classified loans, with tangible results. We continue to advance in our efforts to increase transactional banking services through our growing electronic banking network. Additionally, we have begun to resume lending to quality debtors in the retail, commercial and export sectors.

While our 1999 results did not meet shareholders' expectations, we are encouraged by the pace of change that is taking place in BII today. Change is a recurring theme in Indonesia and in Bank Internasional Indonesia. The Asian financial crisis of 1997 had shaken the foundations of Indonesia, forcing the nation to re-examine its values and ways over the past several decades, and to institute sweeping change and reforms to its government, legislation, business and almost every other facet of national life.

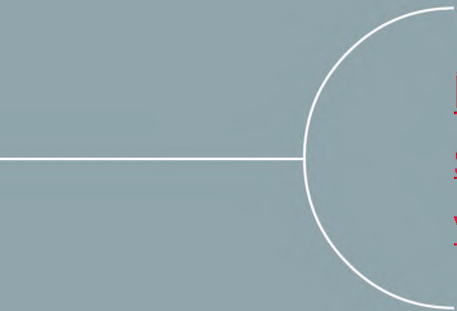
We are doing the same at BII. Already, efforts to structure a balance sheet for the Bank that will be less influenced by social and political upheavals are underway. Obviously, no amount of foreign capital, investors' confidence, rising consumption or even natural wealth can compensate for 'change' in the formula for a sustained recovery of the Indonesian economy and its banking sector. Restructuring, recapitalisation and rescheduling may buy us precious time to regain our footing. But only through the right changes will we be able to mitigate the effects of unexpected events on our bank.

In this annual report, we have highlighted the key changes as well as measures that have been taken in response to the crisis, and in re-laying our foundations for future growth.

We are confident that these changes will pull us through. An indication of this is that we have shown a net profit in the first quarter 2000, for which we are pleased to enclose our Interim First Quarter 2000 Report in this annual report.



HIROSHI TADANO  
President Director



Radical Change.

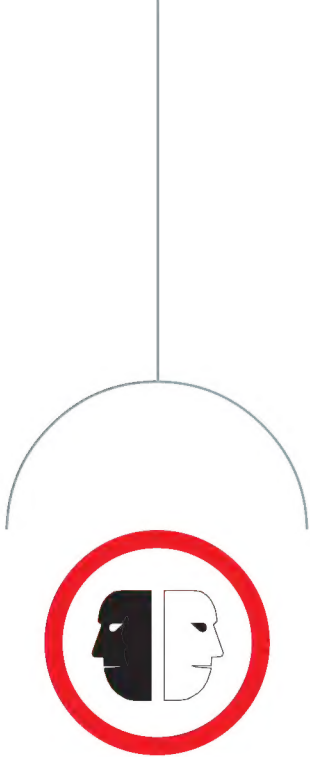
Structural Change.

Visible Change.

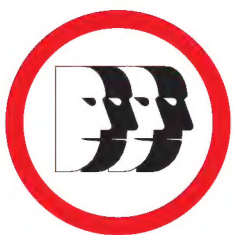




**RESTRUCTURING IN PROGRESS**



**More Accountable**—There has been a significant change in the ownership of BII, resulting in the clear separation between ownership and management. On 13th March 1999, the government of Indonesia confirmed the eligibility of Bank Internasional Indonesia for the bank recapitalisation programme undertaken through the Indonesian Bank Restructuring Agency (IBRA). The government would provide up to 80% of the total amount of recapitalisation of approximately Rp 11.1 trillion that was required by BII in order to attain a capital adequacy ratio of 4%. Between March and June of that year, BII undertook a Rights Issue III to generate from existing shareholders at least 20% of the recapitalisation amount that would not be covered by the government. However, the rights issue drew a total of Rp 4.5 trillion towards the recapitalisation, leaving the government to cover only Rp 6.6 trillion, or less than the original 80% ceiling requirement. With its share of the recapitalisation, which was completed on 30 June 1999, the government of Indonesia now holds 57% stake in BII.



**More Professional**—The new management of BII is comprised of professional managers. As part of the Indonesian banking sector reform and the government's good corporate governance policy, the Central Bank mandated a qualifying fit-and-proper test for all key management personnel of banks in the country. On the basis of such a test, a new management was appointed by the shareholders on 27th March 2000. The new Board of Directors is comprised of professional managers from both the public and private business sectors, with international banking experience, acquired at world-class banks. The Board of Commissioners is comprised of prominent academicians and former high-ranking officials of the Indonesian monetary authorities, completing a truly well-rounded, professional management.

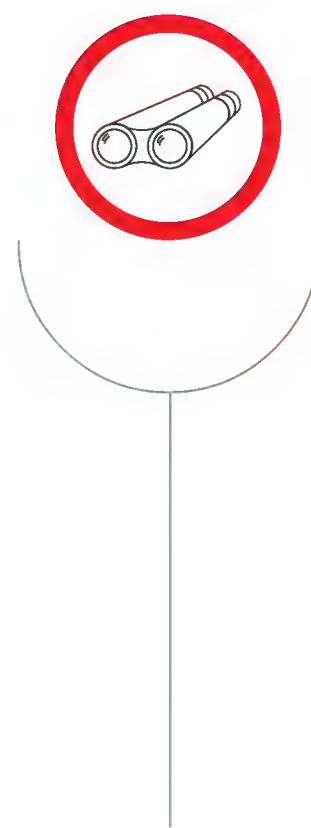
**Strict Compliance—BII has made Banking Compliance the number one priority in its new policy guidelines as well as standard operating procedures that have been completely redefined to reflect the new environment.**

In line with the new Compliance regulation of Bank Indonesia, we have recruited a dedicated Compliance Director who will be totally detached from any operational responsibility. The Compliance rule includes a set of official banking policies, operational guidelines and risk management measures that have to be adhered to at all times by banks operating in Indonesia. It falls under the responsibility of the Compliance Director to see to it that the rule is fully implemented and complied with. In this regard, we have reviewed and revised our banking policies and standard operating procedures to reflect this Compliance rule. More importantly, we have begun with the long-term process of instilling our new values and culture that are required to meet the new priorities of the Bank in these times of great change and radical transformation.



**Total Transparency—Our commitment to stakeholders in making BII a more responsive and responsible institution.**

With the strong emphasis on compliance, and the joint personal legal liability of the board members, total transparency and better accountability are a certainty. The opportunity for more management transparency and accountability has also increased with the clear demarcation between ownership and management, and underlying all that is the pervasive and growing public pressure on any banking institution in Indonesia today to become more transparent, if it wants to retain the trust of all its stakeholders.

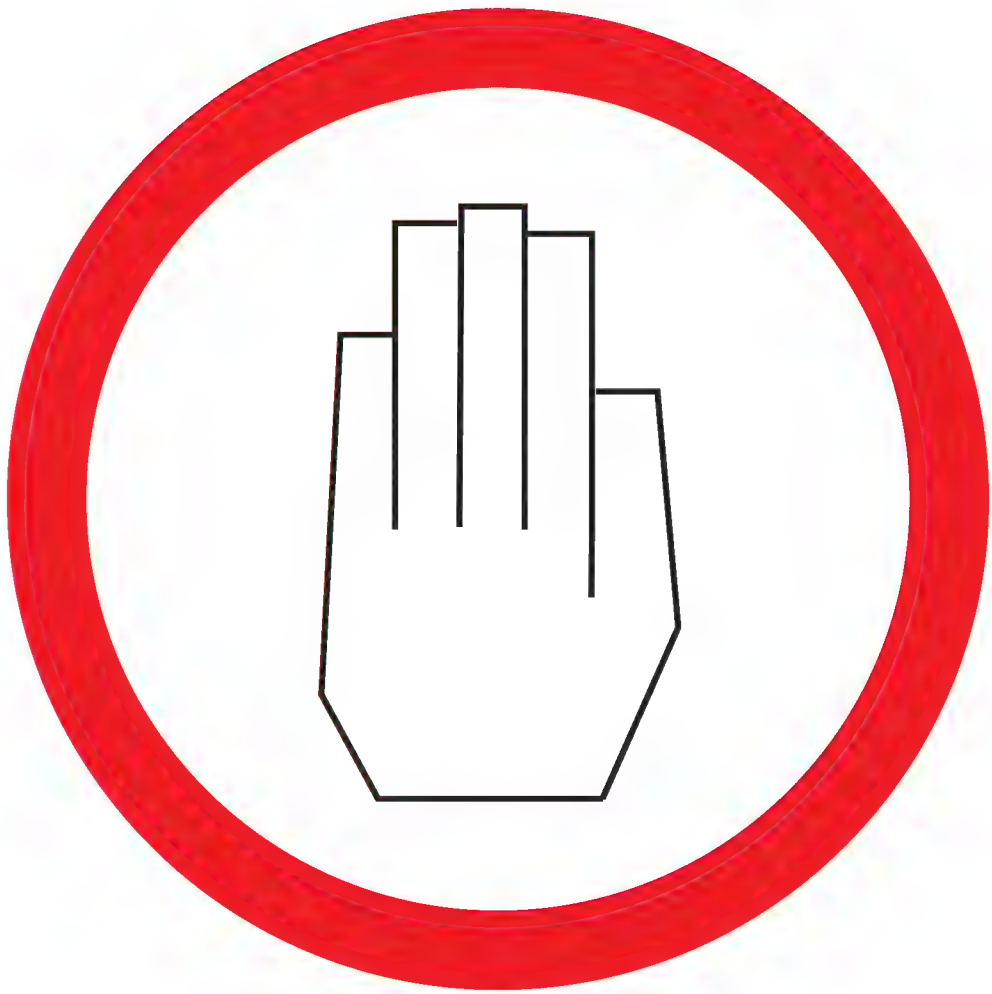




Radical Change.

**Structural Change.**

Visible Change.

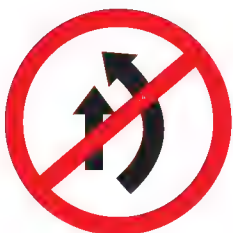


**COMPLIANCE**





**Recognising Risk—BII recognises that risks are intrinsic to its business.** The Asian financial crisis has taught us to view risk management in a totally different light. Our own experiences in dealing with the substantial amount of nonperforming loans over these past two years have shown us the value of going back to basics. The basics of credit. The basics of operations. Basically, the basics of prudent banking. The great uncertainties that are still emerging from increased globalisation, cross-border transactions, hedge-fund speculations and the unrestricted global flows of capital - the full risks of which we have yet to understand - have changed our views on risks. At BII, we have separated origination from credit. We have also separated good accounts from troubled accounts. And we are establishing a risk management group to monitor and manage our credit portfolio to optimise risk-return and to efficiently allocate capital.



**Balancing Risk with Rewards—Profits are no longer pursued at all costs, and risks should be deemed commensurate with the rewards.** In contrast with our rapid growth and expansion of the past, BII has now tempered its growth in line with the underlying risk. For almost two decades prior to the Asian financial crisis, Asia had been the world's fastest growing region, with annual growth averaging above 7 percent in real terms. This was fuelled primarily by short-term private capital inflows. In the absence of effective regulatory and supervisory framework over much of Asia's financial markets, Asian banks expanded at phenomenal pace, oblivious to the underlying market and credit risks. Over time, this spurious growth exacted a great toll on many Asian economies, their financial markets and, indeed, their banks. Having paid the full price, however, we are determined to move forward with a more rigorous and analytical approach to both risks and rewards, threats and opportunities.

**Controlling Assets and Liabilities**—One of the structural weaknesses that led to the banking crisis in Indonesia was the massive financial mismatches in maturities, currencies and assets versus liabilities. Having learned from this experience, we have reviewed and will constantly evaluate our overall assets and liabilities structure. This responsibility has been assigned to our Asset-and-Liability Management Committee (ALCO). The committee will look at available financial instruments, always balancing the need for stability against diversity. It will also determine acceptable cost and risk profiles that are within our limits, without unduly sacrificing our return objectives.



**Prudent Banking**—We have become and will continue to be increasingly prudent in all of our banking operations, from product development to delivery. Since the economic crisis, we have been increasingly careful and conservative in our banking approach and operations. We are in the process of strengthening our checks and balances as well as our standard operating procedures. We will not only exercise rigorous controls over our operations, but also evaluate the various risks involved in any given process. For instance, we assess and evaluate the various risks that may arise from developing a new policy, a new operating procedure or a new product. At the same time, we continue to review thoroughly the risk factors of our existing policies, procedures and products. A tangible outcome of this exercise has been our decision to refrain from derivative transactions altogether, since their risks far outweigh their potential benefits.





Radical Change.

Structural Change.

Visible Change.



**MOVING FORWARD**



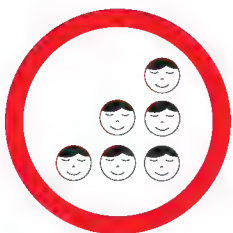
**Replenished Equity**—With the recapitalisation, our equity base had returned to positive, improving the viability of our business.

What's more important, however, is how we have fared since the replenishment. In fact, we reduced our loss from Rp 10.8 trillion in 1998 to Rp 2.1 trillion in 1999. And we achieved a first-quarter 2000 profit of Rp 88.9 billion.



**Electronic Banking**—Electronic deliveries are the ways of the future for many businesses including banking. BII leads the electronic

banking market in Indonesia with advanced and well-established phone-banking, PC-banking, ATM and Internet Banking services. Our versatile and sophisticated deliveries are just one reason why our customer base has grown substantially in 1999, despite eroding public confidence in the banking system in Indonesia in general throughout the economic crisis.



**Human Resources**—Human resources remain our most valuable assets as we move forward with renewed purpose and goals. Our

greatest challenge will be to align the hearts and minds of the men and women of BII, more than 8,200 strong in 1999, to sustain the radical and structural changes that have been implemented since 1999. During the year, BII spent more than Rp 7.6 billion in training and personnel development, despite our operating loss.



**Resumption of Lending**—BII is resuming lending to well targeted commercial establishments in prospective sectors. These

are well-defined and highly viable businesses in the retail and resource-based industry sectors that have benefited early from the growing momentum of Indonesia's economic recovery. We have also targeted Indonesian as well as foreign-owned companies with strong export markets as key customers for Bank Internasional Indonesia.

## Financial Review





# Management's Discussion and Analysis of the Bank's Financial Condition and Results of Operations.

## OVERVIEW

PT Bank Internasional Indonesia Tbk and subsidiaries (collectively referred to as "the Bank") provide a broad range of banking products and services, including deposit taking, lending, treasury and investment banking services. The Bank also provides trade finance facilities, foreign-exchange transaction services, loan syndications for project financing and investment services.

The Bank generates revenues primarily in the form of interest from its lending activities, as well as fees accruing on its transactional banking. Meanwhile, the Bank incurs expenses mainly in the form of interest expenses on its interest-bearing deposits and borrowings, as well as on its operations.

## RESULTS OF OPERATIONS

The Bank posted a net loss of approximately Rp 2.1 trillion in fiscal year 1999, an improvement from the loss of Rp 10.8 trillion which it incurred in 1998. This resulted primarily from the much improved quality in the Bank's loan portfolio, which contributed to significantly lower loss provisioning expenses, which declined from Rp 10.4 trillion in 1998 to just Rp 544.8 billion in 1999.

**Interest Revenues and Expenses.** The Bank's interest revenues, which include fees and commissions earned on the disbursement of credit facilities, amounted to Rp 4.8 trillion in 1999, a 32.1% decline from Rp 7.0 trillion in 1998. This was primarily due to the lower interest income which the Bank was able to earn on its loan portfolio, which declined by 48.4% to Rp 2.0 trillion in 1999, in line with the reduced size of its earning assets for the year compared to previous year. Interest earned on marketable securities also declined by 17.3% to Rp 1.5 trillion in 1999, while interest earned on placements with other banks was maintained at approximately Rp 1.2 trillion.

On the interest expenses side, the Bank was able to reduce its expenses by 30.4% from Rp 8.5 trillion in 1998 to Rp 5.9 trillion in 1999, resulting from the lower interest rate environment of 1999 compared to 1998. The Bank incurred lower interest expenses on all of its funds with the exception of certificates of deposits. Interest payments on time deposits declined by 28.4%, on demand deposits by 34.5%, on savings deposits by 4.9%; and increased on certificates of deposits by 0.3%. Interest expenses paid on the Bank's borrowings and securities issued also declined significantly by 42.0% to Rp 1.1 trillion in 1999, also as a result of the declining interest rate environment.

As a result of the above, the Bank incurred a net interest loss of approximately Rp 1.1 trillion in 1999, compared to Rp 1.5 trillion in 1998, on account of the negative spread which it continued to experience in both years.

**Other Operating Revenues.** Other operating revenues are all non-interest related revenues which are derived primarily from the Bank's growing transactional banking services, including administrative fees earned on retail banking, credit card transactions, investment banking, foreign currency transactions, export and import financing, and other banking services. In 1999, although gain on foreign exchange transactions decreased by 69.6% to Rp 213.2 billion, primarily due to a considerable reduction in foreign exchange activity and relatively stable exchange rates, the Bank's revenue on other commissions and fees and other operating revenue improved by 22.0% and 19.0% to Rp 148.5 billion and Rp 255.7 billion, respectively.

**Other Operating Expenses.** Other operating expenses are all non-interest related expenses which consist of general and administrative expenses, personnel expenses, depreciation and amortisation, repairs and maintenance, and provisions for possible losses on earning assets.

In 1999, the Bank reduced its other operating expenses significantly to Rp 1.7 trillion from Rp 11.3 trillion in 1998. This was attributed primarily to lower provisionary expenses for possible losses on earning assets, which declined from Rp 10.4 trillion to Rp 544.8 billion. These reductions more than compensated for the significant increase in depreciation and amortisation expenses resulting from a revaluation of some of the Bank's fixed assets; as well as modest increases in personnel expenses and repairs and maintenance expenses.

**Operating Loss.** As a result of the above, the Bank incurred an operating loss of Rp 2.2 trillion for fiscal year 1999. This was significantly less than the operating loss of Rp 11.8 trillion a year ago, an improvement attributed primarily to significant reduction in provision for earning assets.

**Non-operating Revenues and Expenses.** In 1999, the Bank derived non-operating revenues from rent income, investment income, gains on the sale of premises and equipment, and other revenues amounting to Rp 170.3 billion. On the other hand, it incurred non-operating expenses in the form of legal, court and mortgage expenses, penalties and donations, and other

expenses amounting to Rp 19.4 billion. The net balance of approximately Rp 150.9 billion in non-operating revenues for 1999 represents an improvement from the net non-operating expenses of Rp 17.2 billion incurred in 1998.

## **FINANCIAL POSITION**

**Equity.** As part of its recapitalisation, the Bank increased its authorised capital to Rp 38.0 trillion and increased its paid-up capital by some Rp 11.4 trillion to Rp 13.0 trillion in 1999. The increase in paid-up capital was created by the conversion of the capital surplus into bonus shares amounting to Rp 323.4 billion and the Rp 11.1 trillion proceeds from the recapitalisation. With a negative retained earnings balance of Rp 12.4 trillion, this placed the total equity of the Bank at approximately Rp 1.9 trillion as at year-end 1999.

**Assets and Liabilities.** The Bank manages its balance sheet and risk limits associated with changes in the balance sheet in accordance with market conditions and liquidity needs, and subject to profitability and risk controls. In managing its balance sheet, the Bank strives to match funds which constitute its interest-earning assets with those that constitute its interest-bearing liabilities. As such, the liquidity and maturity profiles of assets and liabilities are monitored daily. The extreme currency and interest rate volatility during the recent economic crisis in Indonesia has made the management of assets and liabilities extremely difficult. Nevertheless, shifting liquidity and maturity profiles of assets and liabilities still form the basis on which the Bank determines its earning assets mix on one hand, and the funding of these assets on the other. The Bank's assets are funded through various sources which consist of third-party deposits, securities, short-term and long-term borrowings, and equity.

**Earning Assets.** At year-end 1999, the Bank's earning assets totalled approximately Rp 31.5 trillion net of provision for possible losses, an increase of 8.7% from Rp 28.9 trillion a year ago. The increase was mainly attributed to the Rp 7.1 trillion increase in marketable securities held, of which more than 90% were government bonds. Placements with other banks declined by some Rp 3.6 trillion to Rp 3.8 trillion in 1999. Outstanding placements with other banks in 1999 included placements with banks that were taken over or frozen by the Indonesian Bank Restructuring Agency (IBRA), amounting to approximately Rp 1.0 trillion, which had declined from approximately Rp 1.5 trillion in 1998.

**Loans.** Total outstanding loans amounted to Rp 11.8 trillion as at year-end 1999, down by 36.2% from Rp 18.5 trillion a year earlier. The decrease was due to the significant loan write-off amounting to Rp 6.5 trillion made during the year, which included the transfer at zero value of approximately Rp 5.6 trillion of category-5 nonperforming loans to the Asset Management Unit of IBRA.

**Funding.** The Bank strives to have an effective mix of funding from third-party deposits, interbank and borrowings. In 1999, in addition to the recapitalisation proceeds of Rp 11.1 trillion, the Bank was able to maintain total third-party deposits at approximately Rp 26.1 trillion. Furthermore the Bank was able to reduce the portion of its time deposits to total deposits from approximately 75% in 1998 to around 60% in 1999, in effect shifting more than Rp 4.5 trillion to demand and savings deposits.

**Liquidity.** The Bank's liquid assets consist mainly of cash, demand deposits with Bank Indonesia, demand deposits with other banks, placements with other banks and certificates of Bank Indonesia (SBI), all of which amounted to Rp 11.2 trillion as at year end 1999, a slight improvement over 1998.

**Capital Adequacy.** Following its recapitalisation the Bank has recovered its capital adequacy ratio to the required standard of Bank Indonesia. As at year end 1999, the Bank had tier 1 plus tier 2 capital amounting to Rp 1.2 trillion for a capital adequacy ratio of 4.43%, up from minus 24.65% in 1998.

## Responsibility for Financial Reporting

The financial information stated in this report was prepared by the Bank's management. In doing so, management complied with generally accepted accounting principles and exercised its judgement in making estimates in instances where it was deemed appropriate.

In ensuring the integrity and reliability of this information, Bank Internasional Indonesia's management maintains an internal control mechanism. This system provides reasonable assurances in Balance Sheet and Income Statement management's authorisation, and that proper records are maintained. An important aspect of this effort to establish reliable control is the careful selection, training and development of professionals, including internal auditors and continuous control under close scrutiny, to support the integrity and reliability of the financial information.

External accountants further performed a study and evaluation of our internal control for the purpose of expressing this opinion on Bank Internasional Indonesia's financial statements. An Audit Committee was appointed by the Board of Commissioners responsible for monitoring the accounting practises and internal controls of the company. The Committee, whose membership includes some from our Board of Commissioners, as well as external and independent parties assures that the internal accounting control system is properly implemented and exercised.

Bank Internasional Indonesia is also periodically examined by inspectors from Bank Indonesia and other regulatory agencies. Any report arising from such inspections is followed up and acted upon accordingly by the Board of Commissioners.



Hiroshi Tadano  
President Director



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***P.T. BANK INTERNASIONAL INDONESIA Tbk  
AND ITS SUBSIDIARIES***

COSOLIDATED FINANCIAL STATEMENTS - WITH CONSOLIDATING INFORMATION  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998  
AND INDEPENDENT AUDITORS' REPORT

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**Independent Auditors' Report**

No. 270400 BII LA LA

The Stockholders, Board of Commissioners and Directors

**P.T. Bank Internasional Indonesia Tbk**

We have audited the accompanying consolidated balance sheets and consolidated statements of commitments and contingencies of P.T. Bank Internasional Indonesia Tbk and its subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of loss, changes in equity, and cash flows for the years ended, all expressed in Indonesian Rupiah. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of BII Finance Co. Ltd. (Hong Kong) and Bank International Ningbo (China), wholly-owned subsidiaries of PT Bank Internasional Indonesia Tbk, which statements reflect total assets constituting 12.05% and 15.93%, respectively, of the consolidated total assets as of December 31, 1999 and 1998, and total revenues constituting 10.25% and 5.36%, respectively, of the consolidated total revenues for the years then ended. The financial statements of those subsidiaries were audited by other independent auditors whose reports thereon had been furnished to us, and our opinion expressed herein, as far as it relates to the amounts included for those subsidiaries, was based solely on the reports of such other independent auditors.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other independent auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other independent auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position, commitments and contingencies of P.T. Bank Internasional Indonesia Tbk and its subsidiaries as of December 31, 1999 and 1998, and the results of their operations, changes in their equity, and cash flows for the years then ended in conformity with generally accepted accounting principles.

Note 41 to the consolidated financial statements includes the effects of the economic condition in Indonesia to the Company. The Company incurred significant losses for the years ended December 31, 1999 and 1998 arising from negative interest spread and provision for possible losses on earning assets made. The plans and actions of management and stockholders of the Company to solve these problems are also explained in Note 41 to the consolidated financial statements. The actions include injecting additional capital to the Company amounting to Rp 4.5 trillion in April and June 1999, conducting premises and equipment revaluations, following up claims for inter-bank receivables not yet been paid by the Indonesian Bank Restructuring Agency, and joining the National Bank Recapitalization Program according to Joint Decree from the Minister of Finance and the Governor of Bank Indonesia No. 53.KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 and the Government Regulation No. 34 dated May 24, 1999. In relation to the recapitalization program, the Government made a capital investment to the Company for the amount of Rp 6.6 trillion as of December 31, 1999 and the Indonesian Government became the major stockholder of the Company with 57% ownership interest. The accompanying consolidated financial statements include the effects of the economic condition to

## Hans Tuanakotta & Mustofa

the extent they can be determined and estimated. Resolution of the economy to a sound and stable condition is dependent on monetary and fiscal measures being taken by the Government, actions which are beyond the Company's control to achieve economic recovery. It is not possible to determine the future effects a continuation of the economic condition may have on the liquidity and earnings of the Company, including the effects flowing through from the Company's investors and customers.

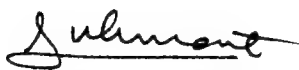
As discussed in Notes 43d and 43f to the consolidated financial statements, the Company has signed memoranda of understanding with the Indonesian Bank Restructuring Agency and Sinar Mas Group (stockholder) to settle receivables from closed and frozen banks which are ineligible for payment in accordance with the Government guarantee scheme on banks' third party funds (the memorandum signed on April 27, 2000) and to restructure the repayment schedule and collateral quality of receivables from related parties (the memorandum signed on March 31, 2000). Under memoranda of understanding, the Indonesian Bank Restructuring Agency and Sinar Mas Group will cover possible losses arising from inter-bank receivables in a proportional basis. The Indonesian Bank Restructuring Agency will make an assets swap in an amount of 80% of inter-bank receivables and Sinar Mas Group will bear the remaining 20%. Both memoranda of understanding bind Sinar Mas Group, the Company and the Indonesian Bank Restructuring Agency, and will be effective after approval in writing by the Minister of Finance and the Governor of Bank Indonesia. Until now, both memoranda of understanding are in process of getting approval from the Minister of Finance and the Governor of Bank Indonesia.

As discussed in Note 2 to the consolidated financial statements, in 1999 the Company changed its method of accounting for income taxes and accounting for marketable securities to conform with Statements of Financial Accounting Standards ("SFAS" or "PSAK") No. 46 and No. 50, respectively and retroactively, restated the 1998 consolidated financial statements due to these changes. In addition, as discussed in Note 8g to the consolidated financial statements, the Company restated the balance of loans given to related parties as of December 31, 1998 as the Company decided in 1999 to categorize parties having special cooperation with companies under Sinar Mas Group as related parties.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information was presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, commitments and contingencies, changes in equity, and cash flows of the Parent Company as a separate entity. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

HANS TUANAKOTTA & MUSTOFA

Business License No. 98.2.0240



Drs. Lukman Abdullah

License No. 98.1. 0383

April 27, 2000

The accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND ITS SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS WITH CONSOLIDATING INFORMATION - PARENT COMPANY BALANCE SHEETS**

DECEMBER 31, 1999 AND 1998

|                                                                                                                                                                                                                                                                              | Notes                   | Consolidated      |                                  | Parent Company    |                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
|                                                                                                                                                                                                                                                                              |                         | 1999              | 1998<br>(As restated-<br>Note 2) | 1999              | 1998<br>(As restated-<br>Note 2) |
|                                                                                                                                                                                                                                                                              |                         | Rp '000'000       | Rp '000'000                      | Rp '000'000       | Rp '000'000                      |
| <b>ASSETS</b>                                                                                                                                                                                                                                                                |                         |                   |                                  |                   |                                  |
| Cash                                                                                                                                                                                                                                                                         | 3e,37                   | 708,150           | 458,622                          | 703,264           | 457,050                          |
| Demand Deposits with Bank Indonesia                                                                                                                                                                                                                                          | 3e,4,37                 | 1,268,150         | 1,263,890                        | 1,268,150         | 1,263,890                        |
| Demand Deposits with Other Banks -<br>net of allowance for possible losses of Rp 18,709<br>million (Parent Company Rp 18,709 million)<br>in 1999, and Rp 12,839 million (Parent Company<br>Rp 12,839 million) in 1998                                                        | 3e,3i,5,37              | 2,772,508         | 1,269,169                        | 1,886,927         | 989,888                          |
| Placements with Other Banks - net of<br>allowance for possible losses of<br>Rp 35,028 million (Parent Company Rp 35,028<br>million) in 1999, and Rp 77,664 million<br>(Parent Company Rp 77,664 million) in 1998                                                             | 3d,3e,3f,3i,<br>6,36,37 | 3,842,958         | 7,467,862                        | 2,374,477         | 5,511,744                        |
| Marketable Securities - net of<br>allowance for decline in value,<br>allowance for possible losses and<br>unearned income of Rp 717,217 million<br>(Parent Company Rp 717,217 million)<br>in 1999, and Rp 2,458,535 million (Parent Company<br>Rp 2,454,237 million) in 1998 | 3d,3g,3i,7<br>36,37     | 17,580,520        | 10,507,298                       | 17,417,605        | 10,393,598                       |
| Loans                                                                                                                                                                                                                                                                        |                         |                   |                                  |                   |                                  |
| Non-related Parties                                                                                                                                                                                                                                                          |                         | 7,395,736         | 15,547,647                       | 6,997,558         | 13,875,200                       |
| Related Parties                                                                                                                                                                                                                                                              | 3d,8g,36                | 4,409,208         | 2,977,179                        | 3,499,562         | 2,633,900                        |
| Allowance for possible losses                                                                                                                                                                                                                                                | 3i                      | (1,758,364)       | (7,547,777)                      | (1,630,683)       | (7,366,210)                      |
| Total                                                                                                                                                                                                                                                                        | 3h,8,37                 | 10,046,580        | 10,977,049                       | 8,866,437         | 9,142,890                        |
| Income Receivable                                                                                                                                                                                                                                                            | 3m,9,37                 | 759,477           | 388,855                          | 703,240           | 357,697                          |
| Prepayments                                                                                                                                                                                                                                                                  | 3d,10,36,37             | 83,057            | 47,889                           | 81,348            | 44,563                           |
| Investments in Shares - net of<br>allowance for possible losses of<br>Rp 20,396 million (Parent Company<br>Rp 18,299 million) in 1999, and<br>Rp 32,980 million (Parent Company<br>Rp 28,483 million) in 1998                                                                | 3b,3i,3j,11,37          | 143,360           | 115,243                          | 458,396           | 229,975                          |
| Premises and Equipment - net of accumulated<br>depreciation of Rp 365,585 million in 1999,<br>(Parent Company Rp 349,225 million), and<br>Rp 275,867 million (Parent Company<br>Rp 259,795 million) in 1998                                                                  | 3d,3k,12,37             | 1,513,428         | 452,228                          | 1,494,300         | 428,943                          |
| Deferred Tax Assets                                                                                                                                                                                                                                                          | 2,3o,19                 | 996,027           | 1,004,708                        | 960,610           | 935,490                          |
| Other Assets                                                                                                                                                                                                                                                                 | 3d,3l,13,37             | 471,024           | 1,289,025                        | 466,930           | 1,281,809                        |
| <b>TOTAL ASSETS</b>                                                                                                                                                                                                                                                          |                         | <b>40,185,239</b> | <b>35,241,838</b>                | <b>36,681,684</b> | <b>31,037,537</b>                |

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND ITS SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS WITH CONSOLIDATING INFORMATION - PARENT COMPANY BALANCE SHEETS**

DECEMBER 31, 1999 AND 1998 (Continued)

|                                                                                                                                                                                      | Notes       | Consolidated      |                                  | Parent Company    |                                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|----------------------------------|-------------------|----------------------------------|
|                                                                                                                                                                                      |             | 1999              | 1998<br>(As restated-<br>Note 2) | 1999              | 1998<br>(As restated-<br>Note 2) |
|                                                                                                                                                                                      |             | Rp '000'000       | Rp '000'000                      | Rp '000'000       | Rp '000'000                      |
| <b>LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)</b>                                                                                                                                   |             |                   |                                  |                   |                                  |
| <b>LIABILITIES</b>                                                                                                                                                                   |             |                   |                                  |                   |                                  |
| <b>DEPOSITS</b>                                                                                                                                                                      |             |                   |                                  |                   |                                  |
| Demand Deposits                                                                                                                                                                      |             |                   |                                  |                   |                                  |
| Non-related Parties                                                                                                                                                                  | 14,37       | 5,572,120         | 3,348,026                        | 5,558,003         | 3,493,036                        |
| Related Parties                                                                                                                                                                      | 3d,14,36,37 | 1,112,718         | 239,884                          | 291,861           | 239,884                          |
| Savings Deposits                                                                                                                                                                     | 15,37       | 3,281,386         | 1,756,458                        | 3,279,344         | 1,754,571                        |
| Time Deposits                                                                                                                                                                        |             |                   |                                  |                   |                                  |
| Non-related Parties                                                                                                                                                                  | 16,37       | 15,516,993        | 18,999,747                       | 15,215,831        | 18,730,461                       |
| Related Parties                                                                                                                                                                      | 3d,16,36,37 | 328,817           | 1,331,111                        | 229,908           | 1,331,111                        |
| Certificates of Deposit - net of prepaid interest<br>of Rp 599 million (Parent Company Rp 587 million)<br>in 1999, and Rp 2,544 million (Parent Company<br>Rp 2,544 million) in 1998 | 17,37       | 289,031           | 1,237,513                        | 288,731           | 1,237,437                        |
| <b>Total Deposits</b>                                                                                                                                                                |             | <b>26,101,065</b> | <b>26,912,739</b>                | <b>24,863,678</b> | <b>26,786,500</b>                |
| Other Current Liabilities                                                                                                                                                            | 18,37       | 182,236           | 222,474                          | 165,838           | 186,321                          |
| Taxes Payable                                                                                                                                                                        | 19,37       | 63,531            | 111,811                          | 47,985            | 105,304                          |
| Securities Issued                                                                                                                                                                    | 20          | 194,700           | 194,700                          | 194,700           | 194,700                          |
| Borrowings                                                                                                                                                                           | 3d,21,36,37 | 5,102,318         | 5,785,308                        | 3,516,116         | 3,303,102                        |
| Accrued Expenses                                                                                                                                                                     | 22,37       | 832,301           | 708,156                          | 700,418           | 613,794                          |
| Other Liabilities                                                                                                                                                                    | 23,37       | 5,772,954         | 9,983,776                        | 5,523,688         | 8,866,511                        |
| <b>Total Liabilities</b>                                                                                                                                                             |             | <b>38,249,105</b> | <b>43,918,964</b>                | <b>35,012,423</b> | <b>40,056,232</b>                |
| <b>EQUITY (CAPITAL DEFICIENCY)</b>                                                                                                                                                   |             |                   |                                  |                   |                                  |
| <b>Capital Stock</b>                                                                                                                                                                 |             |                   |                                  |                   |                                  |
| Authorized Capital - 289,000,000,000 shares in 1999<br>consisting of :                                                                                                               |             |                   |                                  |                   |                                  |
| 5,000,000,000 Series A shares with par value of Rp 500                                                                                                                               |             |                   |                                  |                   |                                  |
| 204,000,000,000 Series B shares with par value of Rp 125                                                                                                                             |             |                   |                                  |                   |                                  |
| 80,000,000,000 Series C shares with par value of Rp 125,                                                                                                                             |             |                   |                                  |                   |                                  |
| and 12,936,000,000 Series A shares in 1998 with par<br>value of Rp 500                                                                                                               |             |                   |                                  |                   |                                  |
| <b>Issued and Paid-up Capital -</b>                                                                                                                                                  |             |                   |                                  |                   |                                  |
| 3,881,360,445 Series A shares                                                                                                                                                        |             |                   |                                  |                   |                                  |
| 35,891,396,568 Series B shares                                                                                                                                                       |             |                   |                                  |                   |                                  |
| 53,020,603,432 Series C shares in 1999, and                                                                                                                                          |             |                   |                                  |                   |                                  |
| 3,234,444,969 Series A shares in 1998                                                                                                                                                |             |                   |                                  |                   |                                  |
|                                                                                                                                                                                      | 24          | 13,054,668        | 1,617,222                        | 13,054,668        | 1,617,222                        |
| Additional Paid-in Capital                                                                                                                                                           | 25          | 12,499            | 335,943                          | 12,101            | 335,545                          |
| Unrealized Decline in Value of Marketable Securities                                                                                                                                 | 2,3g,7      | (317,908)         | (609,769)                        | (317,908)         | (609,769)                        |
| Difference in Foreign Currency Translation                                                                                                                                           | 3c          | 269,452           | 312,441                          | 2,977             | (28,730)                         |
| Revaluation Increment in Premises and Equipment                                                                                                                                      | 3k,12       | 1,343,195         | -                                | 1,343,195         | -                                |
| Deficit                                                                                                                                                                              |             | (12,425,772)      | (10,332,963)                     | (12,425,772)      | (10,332,963)                     |
| <b>TOTAL EQUITY (CAPITAL DEFICIENCY)</b>                                                                                                                                             |             | <b>1,936,134</b>  | <b>(8,677,126)</b>               | <b>1,669,261</b>  | <b>(9,018,695)</b>               |
| <b>TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)</b>                                                                                                                             |             | <b>40,185,239</b> | <b>35,241,838</b>                | <b>36,681,684</b> | <b>31,037,537</b>                |

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMMITMENTS AND CONTINGENCIES WITH CONSOLIDATING INFORMATION -  
PARENT COMPANY STATEMENTS OF COMMITMENTS AND CONTINGENCIES**

DECEMBER 31, 1999 AND 1998

|                                                                   | Notes | Consolidated |             | Parent Company |             |
|-------------------------------------------------------------------|-------|--------------|-------------|----------------|-------------|
|                                                                   |       | 1999         | 1998        | 1999           | 1998        |
|                                                                   |       | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| <b>COMMITMENTS</b>                                                |       |              |             |                |             |
| Commitment Receivables                                            |       |              |             |                |             |
| Spot foreign currencies purchased                                 | 28    | 9,230        | 138,731     | 9,230          | 138,731     |
| Forward foreign currencies purchased                              | 28    | 450,330      | 421,051     | 450,330        | 421,051     |
| Unused loan commitments received                                  |       | -            | 48,277      | -              | 48,277      |
| Interest rate swap transactions                                   | 3p    | 35,500       | 40,125      | 35,500         | 40,125      |
| Total Commitment Receivable                                       |       | 495,060      | 648,184     | 495,060        | 648,184     |
| Commitment Liabilities                                            |       |              |             |                |             |
| Spot foreign currencies sold                                      | 28    | -            | 204,743     | -              | 204,743     |
| Forward foreign currencies sold                                   | 28    | 151,965      | 2,676,501   | 151,965        | 2,676,501   |
| Unused loan commitments granted to customers                      |       | 2,807,327    | 4,394,381   | 2,163,204      | 4,277,868   |
| Liabilities to repurchase assets<br>sold under repo terms         | 3t,7  | -            | 125,417     | -              | 100,000     |
| Outstanding irrevocable letters of credit                         |       | 820,495      | 580,330     | 598,029        | 339,750     |
| Acceptances of import drafts based<br>on usance letters of credit |       | 1,553,998    | 98,444      | 858,353        | 46,470      |
| Total Commitment Liabilities                                      |       | 5,333,785    | 8,079,816   | 3,771,551      | 7,645,332   |
| Commitment Liabilities - Net                                      |       | (4,838,725)  | (7,431,632) | (3,276,491)    | (6,997,148) |
| <b>CONTINGENCIES</b>                                              |       |              |             |                |             |
| Contingent Receivable                                             |       |              |             |                |             |
| Past due interest revenues                                        | 3m    | 2,652,360    | 4,026,086   | 2,651,516      | 4,026,086   |
| Total Contingent Receivable                                       |       | 2,652,360    | 4,026,086   | 2,651,516      | 4,026,086   |
| Contingent Liabilities                                            |       |              |             |                |             |
| Guarantees issued in the form of :                                |       |              |             |                |             |
| Bank guarantees                                                   |       | 854,971      | 352,122     | 185,886        | 210,944     |
| Shipping guarantees                                               |       | 7,817        | 7,600       | 7,817          | 7,517       |
| Standby letters of credit                                         |       | 1,126,702    | 203,549     | 10,650         | 203,549     |
| Total Contingent Liabilities                                      |       | 1,989,490    | 563,271     | 204,353        | 422,010     |
| Contingent Receivable - Net                                       |       | 662,870      | 3,462,815   | 2,447,163      | 3,604,076   |
| Total Commitment and Contingent Liabilities - Net                 |       | (4,175,855)  | (3,968,817) | (829,328)      | (3,393,072) |

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements.



P.T. BANK INTERNASIONAL INDONESIA Tbk AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF LOSS WITH CONSOLIDATING INFORMATION -  
PARENT COMPANY STATEMENTS OF LOSS**

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

|                                                                                                              | Notes | Consolidated |                                  | Parent Company |                                  |
|--------------------------------------------------------------------------------------------------------------|-------|--------------|----------------------------------|----------------|----------------------------------|
|                                                                                                              |       | 1999         | 1998<br>(As restated-<br>Note 2) | 1999           | 1998<br>(As restated-<br>Note 2) |
|                                                                                                              |       | Rp '000'000  | Rp '000'000                      | Rp '000'000    | Rp '000'000                      |
| <b>OPERATING REVENUES AND EXPENSES</b>                                                                       |       |              |                                  |                |                                  |
| <b>Interest Revenues and Expenses</b>                                                                        |       |              |                                  |                |                                  |
| Interest Revenues                                                                                            |       |              |                                  |                |                                  |
| Interest received                                                                                            | 3m,29 | 4,756,947    | 7,006,621                        | 4,250,426      | 6,632,307                        |
| Loan commissions and fees                                                                                    | 3n    | 26,378       | 36,876                           | 26,260         | 36,368                           |
| Total Interest Revenues                                                                                      |       | 4,783,325    | 7,043,497                        | 4,276,686      | 6,668,675                        |
| Interest Expenses                                                                                            |       |              |                                  |                |                                  |
| Interest paid                                                                                                | 3m,30 | 5,936,253    | 8,529,733                        | 5,593,362      | 8,273,326                        |
| Commissions and fees paid                                                                                    | 3n    | 2,195        | 3,679                            | 1,275          | 2,456                            |
| Total Interest Expenses                                                                                      |       | 5,938,448    | 8,533,412                        | 5,594,637      | 8,275,782                        |
| Interest Expenses - Net                                                                                      |       | (1,155,123)  | (1,489,915)                      | (1,317,951)    | (1,607,107)                      |
| <b>Other Operating Revenues (Expenses)</b>                                                                   |       |              |                                  |                |                                  |
| Other Operating Revenues                                                                                     |       |              |                                  |                |                                  |
| Revenues on other commissions and fees                                                                       |       | 148,532      | 121,720                          | 120,209        | 110,735                          |
| Gain on foreign exchange transactions- net                                                                   | 3c    | 213,150      | 701,420                          | 218,265        | 762,167                          |
| Others                                                                                                       | 31    | 255,701      | 214,947                          | 252,586        | 211,579                          |
| Total Other Operating Revenues                                                                               |       | 617,383      | 1,038,087                        | 591,060        | 1,084,481                        |
| Other Operating Expenses                                                                                     |       |              |                                  |                |                                  |
| General and administrative                                                                                   | 32    | 529,367      | 592,958                          | 515,647        | 581,247                          |
| Personnel                                                                                                    |       | 210,733      | 189,322                          | 194,503        | 170,509                          |
| Depreciation and amortization                                                                                |       | 351,035      | 78,702                           | 345,075        | 70,225                           |
| Provision for possible losses on earning assets,<br>commitments, contingencies and foreclosed<br>collaterals |       | 544,839      | 10,413,751                       | 517,204        | 10,264,073                       |
| Repairs and maintenance                                                                                      |       | 34,840       | 28,723                           | 32,450         | 27,236                           |
| Total Other Operating Expenses                                                                               |       | 1,670,814    | 11,303,456                       | 1,604,879      | 11,113,290                       |
| Other Operating Expenses - Net                                                                               |       | (1,053,431)  | (10,265,369)                     | (1,013,819)    | (10,028,809)                     |
| LOSS FROM OPERATIONS                                                                                         |       | (2,208,554)  | (11,755,284)                     | (2,331,770)    | (11,635,916)                     |
| NON-OPERATING REVENUES                                                                                       | 33    | 170,301      | 19,608                           | 232,767        | 18,333                           |
| NON-OPERATING EXPENSES                                                                                       | 34    | (19,381)     | (36,817)                         | (18,926)       | (108,004)                        |
| NON-OPERATING REVENUES (EXPENSES) - NET                                                                      |       | 150,920      | (17,209)                         | 213,841        | (89,671)                         |
| LOSS BEFORE TAX                                                                                              |       | (2,057,634)  | (11,772,493)                     | (2,117,929)    | (11,725,587)                     |
| TAX BENEFIT (EXPENSE)                                                                                        | 3o,19 |              |                                  |                |                                  |
| Current tax                                                                                                  |       | (26,494)     | (18,281)                         | -              | -                                |
| Deferred tax                                                                                                 |       | (8,681)      | 1,000,677                        | 25,120         | 935,490                          |
| NET LOSS                                                                                                     |       | (2,092,809)  | (10,790,097)                     | (2,092,809)    | (10,790,097)                     |
| <b>BASIC EARNINGS PER SHARE (in full Rupiah)</b>                                                             |       |              |                                  |                |                                  |
| Loss from Operations                                                                                         | 3r,35 | (41)         | (3,029)                          | (43)           | (2,998)                          |
| Net Loss                                                                                                     |       | (39)         | (2,780)                          | (39)           | (2,780)                          |

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY WITH CONSOLIDATING INFORMATION -  
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

|                                                                                                     | Notes   | Consolidated |                                  | Parent Company |                                  |
|-----------------------------------------------------------------------------------------------------|---------|--------------|----------------------------------|----------------|----------------------------------|
|                                                                                                     |         | 1999         | 1998<br>(As restated-<br>Note 2) | 1999           | 1998<br>(As restated-<br>Note 2) |
|                                                                                                     |         | Rp '000'000  | Rp '000'000                      | Rp '000'000    | Rp '000'000                      |
| <b>CAPITAL STOCK</b>                                                                                |         |              |                                  |                |                                  |
| Balance at beginning of year                                                                        |         | 1,617,222    | 1,617,201                        | 1,617,222      | 1,617,201                        |
| Additional issuances of capital stock from bonus shares                                             |         | 323,445      | -                                | 323,445        | -                                |
| Additional issuances of capital stock from limited shares offering to stockholders                  |         | 11,114,000   | -                                | 11,114,000     | -                                |
| Additional issuances of capital stock from conversion of warrants                                   |         | 1            | 21                               | 1              | 21                               |
| Balance at end of year                                                                              | 24      | 13,054,668   | 1,617,222                        | 13,054,668     | 1,617,222                        |
| <b>ADDITIONAL PAID-IN CAPITAL</b>                                                                   |         |              |                                  |                |                                  |
| Balance at beginning of year                                                                        |         | 335,943      | 335,943                          | 335,545        | 335,545                          |
| Conversion of additional paid-in capital to capital stock arising from the issuance of bonus shares |         | (323,445)    | -                                | (323,445)      | -                                |
| Additional paid-in capital from conversion of warrants                                              |         | 1            | -                                | 1              | -                                |
| Balance at end of year                                                                              | 25      | 12,499       | 335,943                          | 12,101         | 335,545                          |
| <b>UNREALIZED DECLINE IN VALUE OF MARKETABLE SECURITIES</b>                                         |         |              |                                  |                |                                  |
|                                                                                                     | 3g      | (317,908)    | (609,769)                        | (317,908)      | (609,769)                        |
| <b>DIFFERENCE IN FOREIGN CURRENCY TRANSLATION</b>                                                   |         |              |                                  |                |                                  |
|                                                                                                     | 3c      | 269,452      | 312,441                          | 2,977          | (28,730)                         |
| <b>REVALUATION INCREMENT IN PREMISES AND EQUIPMENT</b>                                              |         |              |                                  |                |                                  |
|                                                                                                     | 3k,12   | 1,343,195    | -                                | 1,343,195      | -                                |
| <b>DEFICIT</b>                                                                                      |         |              |                                  |                |                                  |
| Balance at beginning of year                                                                        |         | (10,333,595) | 452,471                          | (10,333,595)   | 452,471                          |
| Cumulative effect in prior years of change in accounting for income taxes (PSAK No. 46)             | 2,3o,19 | -            | 4,031                            | -              | 4,031                            |
| Net loss during the year                                                                            |         | (2,092,809)  | (10,790,097)                     | (2,092,809)    | (10,790,097)                     |
| Deficit                                                                                             |         | (12,426,404) | (10,333,595)                     | (12,426,404)   | (10,333,595)                     |
| <b>APPROPRIATED RETAINED EARNINGS</b>                                                               |         |              |                                  |                |                                  |
|                                                                                                     |         | 632          | 632                              | 632            | 632                              |
| <b>DEFICIT</b>                                                                                      |         |              |                                  |                |                                  |
|                                                                                                     |         | (12,425,772) | (10,332,963)                     | (12,425,772)   | (10,332,963)                     |
| <b>TOTAL EQUITY (CAPITAL DEFICIENCY)</b>                                                            |         |              |                                  |                |                                  |
|                                                                                                     |         | 1,936,134    | (8,677,126)                      | 1,669,261      | (9,018,695)                      |

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements.



P.T. BANK INTERNASIONAL INDONESIA Tbk AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS WITH CONSOLIDATING INFORMATION - PARENT COMPANY**

**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

|                                                                                                         | Consolidated        |                                  | Parent Company      |                                  |
|---------------------------------------------------------------------------------------------------------|---------------------|----------------------------------|---------------------|----------------------------------|
|                                                                                                         | 1999                | 1998<br>(As restated-<br>Note 2) | 1999                | 1998<br>(As restated-<br>Note 2) |
|                                                                                                         | Rp '000'000         | Rp '000'000                      | Rp '000'000         | Rp '000'000                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                             |                     |                                  |                     |                                  |
| Loss Before Tax                                                                                         | (2,057,634)         | (11,772,493)                     | (2,117,929)         | (11,725,587)                     |
| Adjustments for :                                                                                       |                     |                                  |                     |                                  |
| Provision for possible losses on earning assets, commitments, contingencies, and foreclosed collaterals | 544,839             | 10,413,751                       | 517,204             | 10,264,073                       |
| Depreciation and amortization                                                                           | 351,035             | 78,702                           | 345,075             | 70,225                           |
| Loss (gain) on sale of premises and equipment                                                           | (3,462)             | 290                              | (3,558)             | (73)                             |
| Equity in (income) loss of associated companies                                                         | (20,049)            | 17,906                           | (218,480)           | 91,777                           |
| Net unrealized gain on foreign exchange                                                                 | (1,344,995)         | (1,078,813)                      | (1,362,499)         | (1,075,469)                      |
| Difference in foreign currency translation                                                              | (33,662)            | 144,864                          | 30,123              | (31,473)                         |
| Increase/decrease in :                                                                                  |                     |                                  |                     |                                  |
| Placements with other banks                                                                             | (493,558)           | (1,434,345)                      | (493,558)           | (1,434,345)                      |
| Marketable securities                                                                                   | (6,813,058)         | (10,402,642)                     | (6,631,804)         | (10,338,252)                     |
| Loans                                                                                                   | 3,948,247           | (8,086,522)                      | 2,977,628           | (6,708,380)                      |
| Income receivable                                                                                       | (348,776)           | (517,305)                        | (327,288)           | (489,636)                        |
| Prepayments                                                                                             | (34,963)            | 5,433                            | (36,785)            | 5,202                            |
| Other assets                                                                                            | 912,437             | (1,274,488)                      | 880,230             | (1,358,712)                      |
| Demand deposits                                                                                         | 2,830,177           | 1,911,470                        | 1,862,660           | 2,060,429                        |
| Savings deposits                                                                                        | 1,524,651           | 134,543                          | 1,524,714           | 132,820                          |
| Time deposits                                                                                           | (5,269,281)         | 15,155,735                       | (5,369,027)         | 14,931,669                       |
| Certificates of deposit                                                                                 | (1,078,638)         | 300,742                          | (1,078,854)         | 300,678                          |
| Other current liabilities                                                                               | (55,709)            | 108,665                          | (32,790)            | 89,398                           |
| Accrued expenses                                                                                        | 99,098              | 608,222                          | 72,164              | 522,543                          |
| Taxes payable                                                                                           | 35,258              | 115,270                          | 47,985              | 105,304                          |
| Borrowings                                                                                              | (1,253,643)         | 3,762,544                        | (71,528)            | 1,788,948                        |
| Other liabilities                                                                                       | (5,351,698)         | 9,376,492                        | (4,355,823)         | 8,263,497                        |
| Cash Generated from (Used in) Operating Activities                                                      | (13,913,384)        | 7,568,021                        | (13,842,140)        | 5,464,636                        |
| Income tax paid (including with articles 21 and 23)                                                     | (138,462)           | (26,830)                         | (105,304)           | (2,816)                          |
| <b>Net Cash Provided by (Used in) Operating Activities</b>                                              | <b>(14,051,846)</b> | <b>7,541,191</b>                 | <b>(13,947,444)</b> | <b>5,461,820</b>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                             |                     |                                  |                     |                                  |
| Investments in shares                                                                                   | 899                 | (11,414)                         | 24,800              | (88,480)                         |
| Acquisitions of premises and equipment                                                                  | (71,584)            | (272,630)                        | (61,491)            | (266,706)                        |
| Proceeds from sale of premises and equipment                                                            | 6,325               | 128,010                          | 3,781               | 127,892                          |
| <b>Net Cash Used in Investing Activities</b>                                                            | <b>(64,360)</b>     | <b>(156,034)</b>                 | <b>(32,910)</b>     | <b>(227,294)</b>                 |
| <b>CASH FLOWS FROM FINANCING ACTIVITY</b>                                                               |                     |                                  |                     |                                  |
| Proceeds from issuance of additional shares                                                             | 11,114,002          | 21                               | 11,114,002          | 21                               |
| <b>Net Cash Provided by Financing Activities</b>                                                        | <b>11,114,002</b>   | <b>21</b>                        | <b>11,114,002</b>   | <b>21</b>                        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                             | <b>(3,002,204)</b>  | <b>7,385,178</b>                 | <b>(2,866,352)</b>  | <b>5,234,547</b>                 |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                                   | <b>9,115,701</b>    | <b>2,377,371</b>                 | <b>6,878,730</b>    | <b>2,063,118</b>                 |
| Effect of foreign exchange rate changes                                                                 | 604,103             | (646,848)                        | 346,274             | (418,935)                        |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                                         | <b>6,717,600</b>    | <b>9,115,701</b>                 | <b>4,358,652</b>    | <b>6,878,730</b>                 |

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements.

P.T. BANK INTERNASIONAL INDONESIA Tbk AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS WITH CONSOLIDATING INFORMATION - PARENT COMPANY**

**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998 (Continued)

|                                                | Consolidated |                                  | Parent Company |                                  |
|------------------------------------------------|--------------|----------------------------------|----------------|----------------------------------|
|                                                | 1999         | 1998<br>(As restated-<br>Note 2) | 1999           | 1998<br>(As restated-<br>Note 2) |
|                                                | Rp '000'000  | Rp '000'000                      | Rp '000'000    | Rp '000'000                      |
| <b>SUPPLEMENTAL DISCLOSURES</b>                |              |                                  |                |                                  |
| Cash and Cash Equivalents at End of Year       |              |                                  |                |                                  |
| Cash                                           | 708,150      | 458,622                          | 703,264        | 457,050                          |
| Demand deposits with Bank Indonesia            | 1,268,150    | 1,263,890                        | 1,268,150      | 1,263,890                        |
| Demand deposits with other banks               | 2,791,217    | 1,282,008                        | 1,905,636      | 1,002,727                        |
| Placements with other banks *)                 | 1,950,083    | 6,111,181                        | 481,602        | 4,155,063                        |
| Total Cash and Cash Equivalents at End of Year | 6,717,600    | 9,115,701                        | 4,358,652      | 6,878,730                        |

**NON CASH TRANSACTIONS**

|                                                                                              |           |           |           |           |
|----------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| Conversion of additional paid-in capital stock arising from the distribution of bonus shares | (323,444) | -         | (323,444) | -         |
| Revaluation increment in premises and equipment                                              | 1,343,195 | -         | 1,343,195 | -         |
| Unrealized decline in value of marketable securities                                         | (317,908) | (609,769) | (317,908) | (609,769) |
| Deferred tax assets adjustments                                                              | -         | 4,031     | -         | 4,031     |

\*) Placements with other banks on a consolidated basis and on a parent company basis did not include placements with frozen banks and other banks amounting to Rp 1,927,903 million (1998 : Rp 1,434,345 million)

See accompanying notes to the consolidated financial statements which are an integral part of the consolidated financial statements.

## **1. GENERAL**

### **a. Establishment**

P.T. Bank Internasional Indonesia Tbk ("the Company" or "Parent Company") was established in 1959 by virtue of Notarial Deed No. 53 dated May 15, 1959 of substitute Notary Soeleman Ardjasmita SH. The Deed was subsequently amended by Notarial Deed No. 9 dated August 4, 1959 and No. 21 dated October 6, 1959 of Notary Eliza Pondaag SH in Jakarta. The Articles of Association of the Company were approved by the Minister of Justice of the Republic of Indonesia in his decision letter No. J.A.5/1/2/18 dated November 2, 1959 and were registered in the Jakarta Court of Justice under registration No. 2116 dated November 5, 1959.

On March 31, 1980, the Company merged with PT Bank Tabungan Untuk Umum 1859, Surabaya by virtue of Notarial Deed No. 17 dated March 31, 1980 of Notary Arianny Lamoin Redjo SH.

Pursuant to Bank Indonesia Decree No. 221/I/Dir/Upps dated November 9, 1988, the Company obtained an approval to upgrade its status to a foreign exchange bank.

On September 13, 1996, by virtue of Notarial Deed No. 130 of Sutjipto SH, and approval by the Minister of Justice of the Republic of Indonesia in his decision letter No. C2-9626.HT.01.04-TH.96 dated October 21, 1996, the Company made the following major decisions :

1. Change the Company's Articles of Association to comply with Corporate Law No. 1 year 1995 and Capital Market Law No. 8 year 1995; and
2. Change the par value of Series A shares from Rp 1,000 to Rp 500 per share.

The Company held an Extraordinary Stockholders' Meeting on March 31, 1999 to increase the Company's authorized capital from Rp 6,468,000 million to Rp 38,000,000 million (consisting of 5,000,000,000 Series A shares with a par value of Rp 500; 204,000,000,000 Series B shares with a par value of Rp 125; and 80,000,000,000 Series C shares with a par value of Rp 125). The minutes of this Extraordinary Stockholders' Meeting were documented in Notarial Deed No. 60 of Notary Sutjipto SH dated March 31, 1999 and were approved by the Minister of Justice of the Republic of Indonesia in his decision letter No. C2-5902.HT.01.04.TH.99 dated April 5, 1999.

The Company's head office is located in Jalan M.H. Thamrin, Kav 22, Central Jakarta. The Company has 1 main branch, 57 branches, and 123 sub-branches. At December 31, 1999, the number of employees was 8,247.

According to the Articles of Association, the Company was established with following objectives :

1. To operate in banking, finance or capital market activities which are either directly or indirectly related to trading, custodian and management of securities, or other services and activities allowed from time to time, presently and in the future, on business with other parties or companies.
2. To set-up, or jointly set-up or have ownership in shares of other companies with similar or closely related objectives as the Company, either in the form of joint venture or in contractual basis.

**b. Subsidiaries and the Branches of the Company Domiciled Outside of Indonesia**

The Company has direct or indirect ownership interest of more than 50% in the following subsidiaries :

| Subsidiary                | Domicile  | Nature of Business | Percentage of Ownership | Start of Commercial Operations |
|---------------------------|-----------|--------------------|-------------------------|--------------------------------|
| BII Finance Co. Ltd.      | Hong Kong | Banking            | 100%                    | 1991                           |
| Bank International Ningbo | China     | Banking            | 100%                    | 1993                           |
| PT BII Finance Center     | Jakarta   | Multifinance       | 99.99%                  | 1991                           |

The Company has operational branches domiciled outside Indonesia namely : Cayman Islands, Cook Islands, Mumbai and Mauritius. The financial statements of those branches have been combined into the Company's financial statements.

**c. Public Offering of the Company's Shares**

In October 1989, the Company sold 12,000,000 Series A shares with a par value of Rp 1,000 per share to the public through the capital market in Indonesia in accordance with the provisions of the Law. The Company received a notice of effectivity from the Capital Market Supervisory Agency ("BAPEPAM") for the sale of series A to the public on October 2, 1989 through its letter No. SI-058/SHM/MK.10/189.

In February 1994, the Company sold 52,717,184 Series A shares with a par value of Rp 1,000 per share through Limited Public Offering I ("rights issue I") in which holders of every 5 Series A shares had right to purchase 1 new Series A share at Rp 4,000 per share. This rights issue was approved by the stockholders in the Extraordinary Stockholders Meeting held on January 25, 1994. The Company received a notice of effectivity from BAPEPAM through its letter No. S-130/PM/1994 dated January 24, 1994 for this rights issue.

In February 1997, the Company sold 1,289,579,469 Series A shares through Limited Public Offering II ("rights issue II"), to which 286,573,215 Series I warrants were attached. In this offering, each holder of 27 Series A shares received subscription right for 18 new Series A shares with a subscription price of Rp 750 per share, and 4 Series I warrants were attached to each group of 18 newly issued Series A shares free of charge. The subscription right was exercisable in multiples of 9 Series A shares for Rp 6,750. The total amount raised from this rights issue was approximately Rp 967,185 million. This rights issue was approved by the stockholders in the Extraordinary Stockholders' Meeting held on December 27, 1996. The Company received a notice of effectivity from BAPEPAM through its letter No. S-2093/PM/1996 dated December 28, 1996 for this rights issue.

The Company held an Extraordinary Stockholders' Meeting on March 31, 1999 to approve the Limited Public Offering III ("rights issue III") plan for 62,101,383,408 new shares (Series B with a par value of Rp 125 per share) and 7,762,672,926 Series II warrants. The Company received a Notice of Effectivity from BAPEPAM for rights issue III on March 30, 1999 through its letter No.S-434/PM/1999 and for the continuation of rights issue III on June 8, 1999 through its letter No. S-857/PM/1999. The total proceeds from controlling and public stockholders, amounting to Rp 4.5 trillion (for 35,891,396,568 Series B shares and 4,486,424,571 Series II warrants), from rights issue III were received by the Company in April and June 1999.

**d. Recapitalization Program of the Company**

On March 13, 1999, the Council for Economic and Monetary Resilience ("Dewan Pemantapan Ketahanan Ekonomi dan Keuangan Indonesia") announced and stated that the Company as one of the banks that would be recapitalized by the Indonesian Government.

The Company joined the National Banking Recapitalization Program based on a Joint Decree from the Minister of Finance and the Governor of Bank Indonesia No. 53.KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 and a

statement from The Council for Economic and Monetary Resilience ("Dewan Pemantapan Ketahanan Ekonomi dan Keuangan Indonesia") dated March 13, 1999. The Joint Decree states that the Government will make a capital investment in private banks which are qualified to join the recapitalization program by providing a maximum amount of 80% of the total funds needed for those private banks to achieve a capital adequacy ratio (CAR) of 4%. The controlling stockholders, the Governor of Bank Indonesia, the Minister of Finance and the Chairman of the Indonesian Bank Restructuring Agency signed the "Investment, Management and Performance Agreement" on May 28, 1999. The "Investment, Management and Performance Agreement" was amended several times with the latest amendment signed on November 10, 1999. Based on Government Regulation No. 34 dated May 24, 1999, the Indonesian Government decided to make a capital investment in the Company in a maximum amount of Rp 8.7 trillion.

The balance of the capital investment of the Indonesian Government to the Company as of December 31, 1999 was Rp 6.6 trillion, which was injected in form of bonds issued by the Indonesian Government. Such amount was Rp 2.1 trillion lower than the maximum recapitalization amount decided by the Indonesian Government because the controlling and public stockholders invested capital in excess of the minimum 20% of the total recapitalization amount needed to achieve a CAR of 4%.

In the recapitalization program, the Company transferred bad assets (earning assets classified as loss and foreclosed collateral) amounting to Rp 7.2 trillion to the Indonesian Bank Restructuring Agency Asset Management Unit at the end of May 1999 with nil value.

#### **e. Composition of the Company's Managements**

The composition of the Company's Board of Commissioners and Directors in accordance with Notarial Deed No. 38 dated September 13, 1999 of Notary Sutjipto SH is as follows :

|                               |   |                                                                             |
|-------------------------------|---|-----------------------------------------------------------------------------|
| President Commissioner        | : | Teddy Pawitra                                                               |
| Deputy President Commissioner | : | Winarto Soemarto                                                            |
| Commissioners                 | : | Aditiawan Chandra<br>Suad Husnan<br>Sudiarso                                |
| President Director            | : | Hanafi Gan Bin Abdullah                                                     |
| Deputy President Directors    | : | Donald Joseph Hayek<br>Hiroshi Tadano                                       |
| Directors                     | : | Herman Sugiarto<br>Ronnie Sujanto<br>Timothy Lambert Jones<br>Yap Tjay Soen |

Hanafi Gan Bin Abdullah, Donald Joseph Hayek, and Timothy Lambert Jones, resigned from the Company in January 2000. In order to replace those officers, the stockholders held on Extraordinary Stockholders Meeting on March 27, 2000 (Note 43a).

## **2. ADOPTION OF NEW FINANCIAL ACCOUNTING STANDARDS**

In 1999, the Company and its subsidiary in Indonesia have adopted the following Statements of Financial Accounting Standards (PSAK) for the first time :

|                           |                                                  |
|---------------------------|--------------------------------------------------|
| PSAK No. 1 (revised 1998) | Presentation of Financial Statements             |
| PSAK No. 46               | Accounting for Income Taxes                      |
| PSAK No. 47               | Accounting for Land                              |
| PSAK No. 50               | Accounting for Investments in Certain Securities |



**PSAK No. 1 (revised 1998)**

This PSAK is concerned with the presentation and disclosure of financial information. The presentation in the current year's consolidated financial statements has been modified to conform with this standard. The 1998 consolidated financial statements have been restated for comparative purposes and consistency of presentation.

**PSAK No. 46**

Under PSAK No. 46, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Prior to the adoption of PSAK No. 46, income tax was determined based on the taxable income for the year computed in accordance with tax rules and regulations. This change in accounting policy was applied retroactively, thus the comparative amounts for 1998 have been restated accordingly. The effect of the change has resulted to a tax expense amounting to Rp 8,681 million in the statement of loss on a consolidated basis (Parent Company : resulted to a tax benefit amounted to Rp 25,120 million) in the current year and a decrease of Rp 1,000,677 million on a consolidated basis (Parent Company : Rp 935,490 million) in net loss in 1998. The beginning balance of retained earnings for 1998 has been increased by Rp 4,031 million which is the cumulative effect of the change in policy on periods prior to 1998.

Following is a summary of the significant accounts in the 1998 financial statements before and after the restatement :

|                              | 1998         |                        | 1998           |                        |
|------------------------------|--------------|------------------------|----------------|------------------------|
|                              | Consolidated |                        | Parent Company |                        |
|                              | As restated  | As previously reported | As restated    | As previously reported |
|                              | Rp' 000'000  | Rp' 000'000            | Rp' 000'000    | Rp' 000'000            |
| Investments in shares        | 115,243      | 115,243                | 229,975        | 160,757                |
| Deferred tax assets          | 1,004,708    | -                      | 935,490        | -                      |
| Total assets                 | 35,241,838   | 34,846,899             | 31,037,537     | 30,642,598             |
| Total equity                 | (8,677,126)  | (9,072,065)            | (9,018,695)    | (9,413,634)            |
| Total liabilities and equity | 35,241,838   | 34,846,899             | 31,037,537     | 30,642,598             |
| Tax income (expense)         |              |                        |                |                        |
| Current tax                  | (18,281)     | (18,281)               | -              | -                      |
| Deferred tax                 | 1,000,677    | -                      | 935,490        | -                      |
| Total tax income (expense)   | 982,396      | (18,281)               | 935,490        | -                      |
| Net income                   | (10,790,097) | (11,790,774)           | (10,790,097)   | (11,790,774)           |
| Earnings per share           |              |                        |                |                        |
| Basic                        | (2,780)      | (3,038)                | (2,780)        | (3,038)                |
| Retained earnings (deficit)  |              |                        |                |                        |
| At beginning of year         | 457,134      | 453,103                | 457,134        | 453,103                |
| At end of year               | (10,332,963) | (11,337,671)           | (10,332,963)   | (11,337,671)           |

**PSAK No. 47**

PSAK No. 47 supplements and forms part of PSAK No. 16 regarding property, plant and equipment. This statement establishes the accounting treatment for land as property, plant and equipment, treatment of landright as deferred expense and the related depreciation or amortization. Land is stated based on acquisition cost and is not depreciated except if the quality of the land is deteriorated or when the nature of the main operations abandons the land when the project is completed. Expenses related to the legal administration landrights are deferred and amortized over its legal term or the economic life of the land, whichever is shorter.



Prior to the adoption of this PSAK, costs incurred in connection with acquisition of land including expenses for the legal administration of landright were recognized as part of the land cost and not being depreciated. In connection with the effectivity of this PSAK, management evaluated the carrying value of the land and decided to apply this PSAK prospectively (for acquisition of new lands or renewal of landrights in the future), since at the end of 1998, the Company had just revalued their property, plant and equipment, including land (Note 12).

#### **PSAK No. 50**

This PSAK is applied to investments in equity securities that have readily determinable fair values and all investments in debt securities. Based on PSAK No. 50, securities are classified into three categories and presented as follows:

- a. Held to maturity : presented at cost plus or minus unamortized of premium or discount.
- b. Trading: presented at fair value. Unrealized gain or loss from the increase or decrease in fair value is reflected in the statement of income for the year.
- c. Available for sale: presented at fair value. Unrealized gain or loss from the increase or decrease in fair value is separately presented as part of equity.

Prior to the adoption of PSAK No. 50, accounting for temporary investments was based on PSAK No. 13 wherein temporary investments were stated at the lower of aggregate cost or market. This change in accounting principle was applied retroactively and for comparative purposes, the 1998 financial statements were restated. The effect of change in this accounting principle amounting to Rp 609,769 million was recognized as deduction from the 1998 equity.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a. Consolidated Financial Statement Preparation**

The reporting currency used in the preparation of the consolidated financial statements is the Indonesian Rupiah. Unless otherwise stated, all figures presented in the notes to the consolidated financial statements are stated in millions of Rupiah.

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 31 "Accounting for Banking Industry" and accounting principles and reporting practices generally accepted in Indonesia. Such consolidated financial statements are an English translation of the Company and its subsidiaries' statutory report in Indonesia, and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The consolidated financial statements are prepared on the historical cost basis, except for certain accounts which are measured on the bases described in the related accounting policies.

The consolidated statements of cash flows are prepared using the indirect method with classifications of cash flows into operating, investing and financing activities.

#### **b. Principles of Consolidation**

The consolidated financial statements include all subsidiaries that are controlled by the Company, other than those excluded because control is assumed to be temporary or due to long-term restrictions significantly impairing a subsidiary's ability to transfer funds to the Company.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date that the control commenced or up to the date that the control ceased.

Control is presumed to exist where more than 50% of a subsidiary's voting power is controlled by the Company, or the Company is able to govern the financial and operating policies of a subsidiary, or control the removal or appointment of the majority of the subsidiary's board of directors.

All significant inter-company balances and transactions have been eliminated in consolidation to reflect the financial position and results of operations of the Company and its subsidiaries as one entity.

As of balance sheet dates, the subsidiaries which were consolidated, including the percentages of ownership held by the Company, are as follows :

|                                   | December 31, |        |
|-----------------------------------|--------------|--------|
|                                   | 1999         | 1998   |
|                                   | %            | %      |
| BII Finance Co. Limited Hong Kong | 100,00       | 100,00 |
| Bank International Ningbo         | 100,00       | 100,00 |
| PT BII Finance Center             | 99,99        | 99,99  |

#### **c. Transactions in and Translations of Foreign Currencies**

##### **Transactions**

The Company and its branches domiciled in Indonesia maintain their accounting records in Indonesian Rupiah. Transactions during the year in currencies other than Rupiah are recorded at the exchange rates prevailing at the dates of the transactions.

##### **Translation of Assets and Liabilities Denominated in Foreign Currencies**

At balance sheet dates, all monetary assets and liabilities denominated in foreign currency are translated to Rupiah using the middle exchange rates published by Bank Indonesia (i.e. Rp 7,100/US\$ 1 as of December 31, 1999 and Rp 8,025/US\$ 1 as of December 31, 1998). The resulting gain or loss is recognized in the current year operations.

##### **Translation Related to Consolidation of Subsidiaries and Branches of the Company Domiciled Outside of Indonesia**

Subsidiaries and branches of the Company domiciled outside Indonesia maintain their accounting records in their respective domestic currencies.

The financial statements of the subsidiaries and branches domiciled outside Indonesia are translated into Rupiah as follows :

- balance sheet accounts, except for equity accounts, are translated using the middle exchange rates at the balance sheet date as published by Bank Indonesia;
- profit and loss accounts are translated on a monthly basis using the month-end middle exchange rates as published by Bank Indonesia. Profit and loss account balances for the period represent the sum of these monthly translations; and
- differences arising from translation are presented in the consolidated balance sheet as part of equity under "difference in foreign currency translation" account.

#### **Translation of Foreign Currency Forward Contracts of Funding Nature**

For foreign currency forward contracts of a funding nature, the difference between the contracted forward rate and the spot rate on the transaction date is recorded as a premium or discount and is amortized over the life of the contract. The amortization of the premium or discount is presented in the statement of income as an addition or deduction from the interest expenses.

The difference between the balance sheet date spot rate and the spot rate on forward receivable or payable at the transaction date is recognized as gain or loss in the current year operations.

#### **Translation of Foreign Currency Forward Contracts of Trading Nature**

For foreign currency forward contracts of a trading nature, the difference between the contracted forward rate and the spot rate on the maturity date is recognized as gain or loss at the end of the contract period.

#### **d. Transactions with Related Parties**

According to current Financial Accounting Standards, related parties consist of the following :

- 1) companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company (including parent companies, subsidiaries, and fellow subsidiaries);
- 2) associated companies;
- 3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close family members of such individuals (close members of the family are those who can influence or can be influenced by such individuals in their transactions with the Company);
- 4) key management personnel, who have the authority and responsibility for planning, directing and controlling the activities of the Company, including commissioners, directors and managers of the Company and close members of their families; and
- 5) companies in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in point (3) or (4) or over which such person is able to exercise significant influence. These include companies owned by directors or major stockholders of the Company and companies that have a key member of management in common with the Company.

Sinar Mas Group is still considered as related parties as of December 31, 1999 and 1998. In 1999, the Company decided that parties having special cooperation with companies under Sinar Mas Group were categorized as related parties.

Transactions with related parties are summarized in Note 36 to the consolidated financial statements.

#### **e. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, demand deposits with Bank Indonesia and with other banks, and placements with other banks which are unrestricted and have a maturity of less than three months. Placements at closed and taken-over banks are excluded from cash and cash equivalents.

#### **f. Placements with Other Banks**

Placements with other banks are stated at their outstanding balance less allowance for possible losses which is determined based on evaluation of the collectibility of each placement.

**g. Marketable Securities**

Marketable securities are comprised of Indonesian Government bonds issued for the purpose of the Company's recapitalization ("Government bonds"), money market securities (including Certificates of Bank Indonesia), notes receivable, bonds, receivables on export bills, and shares.

Accounting for marketable securities for the years ended December 31, 1999 and 1998 are as follows :

- Securities held to maturity are stated at cost net of unamortized premium or discount. If it is probable that the cost of such securities will not be fully recovered, a permanent decline in value is considered to have occurred and, as a result, the cost basis of the individual security is written down to fair value and the amount of the write-down is recognized as loss in the current year.
- Securities available for sale are stated at market value. Unrealized gains (losses) due to an increase (decrease) in market value are recognized and presented as an equity component.
- There were no securities classified as securities traded as of December 31, 1999 and 1998. Securities which investment purpose is trading are stated at market value. Unrealized gains (losses) due to an increase (decrease) in market value are recognized as gains (losses) in the current year.

Realized gain or loss from sale of securities is determined based on average cost net of unamortized discount or premium at the date of sale.

**h. Loans**

Loans are stated at the gross amount of their outstanding balance less allowance for possible losses which is determined based on evaluation of the collectibility of each loan.

**i. Allowance for Possible Losses on Earning Assets and Commitment/Contingent Liabilities**

Allowance for possible losses on earning assets and commitment/contingent liabilities is determined based on evaluation by management of the collectibility of earning assets and commitment/contingent liabilities. Management's evaluations for purposes of determining the allowance for possible losses on earning assets and commitment/contingent liabilities was based on Decree of Bank Indonesia No. 31/147/KEP/DIR and No. 31/148/KEP/DIR dated November 12, 1998.

Based on the Decree of Bank Indonesia dated November 12, 1998, earning assets consist of demand deposits with other banks, interbank placements, marketable securities, loans and investments in shares. Earning assets and commitment/contingent liabilities of banks are classified into 5 categories, i.e. : current, special mention, substandard, doubtful and loss. The following are percentages of allowance for possible losses that the Company applies for December 31, 1999 :

| Category of Possible Losses on Earning Assets and Commitment/Contingent Liabilities | Minimum Percentage of Allowance |
|-------------------------------------------------------------------------------------|---------------------------------|
| Current                                                                             | 0.625%                          |
| Special mention                                                                     | 2.50%                           |
| Substandard                                                                         | 7.50%                           |
| Doubtful                                                                            | 50%                             |
| Loss                                                                                | 100%                            |

The above percentages are applied to earning assets and commitment/contingent liabilities less the collateral value in accordance with the Decree of Bank Indonesia, except for earning assets and commitment/contingent liabilities classified as current and special mention, where the rates are applied directly to the earning assets and commitment/contingent liabilities balance. Percentage of allowance for possible losses on earning assets and commitment/contingent liabilities classified as current, special mention, and substandard will increase gradually up to 1% for current, 5% for special mention and 15% for substandard in June 2001.



Allowance for possible losses on commitment and contingent liabilities made is presented in the other liabilities account.

The outstanding balance of earning assets is written off against the respective allowance for possible loss when management believes that the assets are determined to be definitely uncollectible or unrealizable. Recovery of earning assets previously written off is recorded as an addition to allowance for possible losses on earning assets during the year of recovery.

#### **j. Investments in Shares**

Investments in shares of entities in which the Company has an ownership interest of less than 20% and the share market price is not available are carried at cost (cost method), while investments in shares of entities in which the Company has an ownership interest of 20% to 50%, directly or indirectly owned, are accounted for using the equity method whereby the Company's proportionate share in the income or loss of the associated company is added to or deducted from, and the dividends received are deducted from, the acquisition cost of the investments (equity method).

Investments in subsidiaries in the consolidating information-Parent Company are presented using the equity method.

#### **k. Premises and Equipment**

Premises and equipment, except revalued premises and equipment, are stated at cost less accumulated depreciation.

In September 1998, the Company revalued its premises and equipment in accordance with the Decree of the Ministry of Finance of the Republic of Indonesia No. 384/KMK.04/1999 dated August 14, 1998, resulting in a revaluation increment of Rp 1.3 trillion. The Company received approval from the Tax Office on March 25, 1999 with respect to the revaluation increment of Rp 1.3 trillion through letter No. KEP-7/WPJ.06/KP.0404/1999. The revaluation increment was booked by the Parent Company on April 1, 1999. Premises and equipment purchased before October 1998 are stated at the revalued amount less accumulated depreciation, while premises and equipment purchased subsequent to October 1998 are stated at cost less accumulated depreciation.

All premises and equipment, except for land and buildings, are depreciated over their estimated useful lives using the double-declining-balance method. Land is not depreciated, while buildings are depreciated using the straight-line method. The annual depreciation rates are as follows :

|                                                          | Percentage |
|----------------------------------------------------------|------------|
| Buildings :                                              |            |
| • Permanent                                              | 5%         |
| • Non Permanent                                          | 10%        |
| Premises and equipment other than buildings :            |            |
| Class I : assets with useful lives less than 4 years     | 50%        |
| Class II : Assets with useful lives between 4 to 8 years | 25%        |

Since 1999, legal expenses related to landright are recognized as deferred expenses and are amortized over its legal term or economic useful life of land, whichever is shorter, using straight line method (Note 2 - adoption of PSAK No. 47).

The cost of repairs and maintenance is charged to operations as incurred, while significant renewals or betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and related accumulated depreciation are removed from the accounts and any resulting gain or loss on sales of those assets is reflected in the statement of profit and loss for the current year.

#### **l. Assets Seized on Loans in Default and Unused Assets (or Foreclosed Collateral)**

Assets seized on loans in default represent loan collateral seized by the Company and the transfer of ownership is still in process. Unused assets are loan collateral seized by, and under the ownership of, the Company.

Assets seized on loans in default and unused assets obtained as loan settlements by the Company are recorded at the lower of market value or mutually agreed value. Differences between the loan receivable and market value or mutually agreed value are charged to allowance for possible loan losses in the current year.

Management evaluates value of foreclosed collateral regularly. Allowance for possible losses on foreclosed collateral is determined based on declining value of foreclosed collateral.

Expenses incurred for maintaining assets seized on loans in default and unused assets are charged to the profit and loss in the year incurred.

Gains or losses on sale of assets seized on loans in default and unused assets are recorded in the year in which the sale is made.

**m. Recognition of Interest Revenue and Expense**

Interest revenue and expense from interest-earning assets and interest-bearing liabilities are recognized on an accrual basis, except for interest on loans and other earning assets considered as non-performing. Those interest revenues are recognized only when such interests are actually received. Such interest revenues are instead recorded as past due interest revenue in the statement of commitments and contingencies.

Loans and other earning assets are considered as non-performing when the borrowers have not been able to fulfill their monetary obligations for 90 days.

**n. Recognition of Provision or Commission Revenue and Expense**

Provision or commission revenue and expense directly related to loans given or received in excess of Rp 100 million are recognized as deferred income or expense and are amortized on a proportional basis in accordance with the period in which the respective loans are given or received. Provision or commission revenue and expense less than or equal to Rp 100 million are recognized as income or expense upon receipt or payment.

**o. Income Tax**

The Company and its subsidiary domiciled in Indonesia calculated income tax based on Statement of Financial Accounting Standards (PSAK) No. 46, "Accounting for Income Taxes". Corporate income tax calculation of subsidiaries domiciled outside Indonesia and associated companies domiciled in Indonesia was based on taxable income or loss of those companies, because the effects from the application of PSAK No. 46 were not significant.

Current tax expense is determined based on the taxable income for the year computed using prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or negative goodwill, or from the initial recognition of an asset and liability in a transaction, other than in a business combination, that affect neither accounting income nor fiscal income (loss).

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset in the balance sheet in the same manner the current tax assets and liabilities are presented.



**p. Interest Rate Swaps**

**Interest rate swap transactions for funding purposes**

The difference between the original interest rate and the contracted interest rate is presented as an addition to or deduction from the cost of funds, and is amortized on a proportional basis over the period of the contract.

**Interest rate swap transactions for trading purposes**

The difference between the original interest rate and the contracted interest rate is recognized as gain or loss at the end of the contract period.

**q. Options**

In the event that the Company acts as an issuer of options, loss arising from the difference between the contracted option rate and the spot rate at the reporting date is recognized as an expense for the current year. Gain arising from the difference between the contracted option rate and the spot rate at the reporting date is not recognized as revenue for the current year but will be recognized as revenue at the realization date.

**r. Earnings Per Share**

Basic earnings per share in 1999 is calculated based on the weighted average number of shares outstanding during the year.

Basic earnings per share in 1998 is calculated based on the weighted average number of shares outstanding during the year after considering the retroactive effect of bonus shares in February 1999.

In calculating fully diluted earnings per share, the weighted average number of shares outstanding is adjusted by the dilutive effect of warrants which could potentially be converted to shares.

**s. Pension Fund**

The Company has a defined contribution pension plans since May 1996 for all of its local permanent employees. Pension expense under this program is recognized on an accrual basis.

**t. Assets Sold under Repurchase Agreements**

Assets (securities and loans) which are sold under repurchase agreements are not presented in the balance sheet, but are presented as "Liabilities to repurchase assets sold under repo terms" in the statement of commitments and contingencies.

**u. Segment Information**

The Company's segment information was presented based on business segment.

**4. DEMAND DEPOSITS WITH BANK INDONESIA**

|                  | Consolidated     |                  | Parent Company   |                  |
|------------------|------------------|------------------|------------------|------------------|
|                  | 1999             | 1998             | 1999             | 1998             |
|                  | Rp '000'000      | Rp '000'000      | Rp '000'000      | Rp '000'000      |
| Rupiah           | 987,578          | 983,617          | 987,578          | 983,617          |
| Foreign currency | 280,572          | 280,273          | 280,572          | 280,273          |
| <b>Total</b>     | <b>1,268,150</b> | <b>1,263,890</b> | <b>1,268,150</b> | <b>1,263,890</b> |

According to Bank Indonesia's Decree, each bank in Indonesia is required to maintain a minimum liquidity reserves amounting to 5% of liabilities in Rupiah and 3% of liabilities in foreign currency. The balance of minimum liquidity reserves of the Parent Company as of December, 31, 1999 were Rp 1,146,950 million (1998 : Rp 1,155,972 million).

**5. DEMAND DEPOSITS WITH OTHER BANKS**

|                               | Consolidated     |                  | Parent Company   |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | 1999             | 1998             | 1999             | 1998             |
|                               | Rp '000'000      | Rp '000'000      | Rp '000'000      | Rp '000'000      |
| Rupiah                        | 8,496            | 6,280            | 8,493            | 6,276            |
| Foreign currency              | 2,782,721        | 1,275,728        | 1,897,143        | 996,451          |
| <b>Total</b>                  | <b>2,791,217</b> | <b>1,282,008</b> | <b>1,905,636</b> | <b>1,002,727</b> |
| Allowance for possible losses | (18,709)         | (12,839)         | (18,709)         | (12,839)         |
| <b>Total - Net</b>            | <b>2,772,508</b> | <b>1,269,169</b> | <b>1,886,927</b> | <b>989,888</b>   |

The management believes that the allowance for possible losses on demand deposits with other banks at balance sheet dates is adequate to cover possible losses which might arise from uncollectible demand deposits with other banks.

**6. PLACEMENTS WITH OTHER BANKS**

Placements with other banks by type of placement are as follows :

|                               | Arange<br>Interest Rates | 1999             |                  |
|-------------------------------|--------------------------|------------------|------------------|
|                               |                          | Consolidated     | Parent Company   |
|                               | %                        | Rp '000'000      | Rp '000'000      |
| <b>Rupiah</b>                 |                          |                  |                  |
| Call money                    | 12.99                    | 456,243          | 456,243          |
| Time deposits                 | 12.96                    | 591,000          | 591,000          |
| <b>Subtotal</b>               |                          | <b>1,047,243</b> | <b>1,047,243</b> |
| <b>Foreign Currencies</b>     |                          |                  |                  |
| Call money                    | 7.26                     | 181,050          | 1,182,150        |
| Time deposits                 | 8.12                     | 2,649,693        | 180,112          |
| <b>Subtotal</b>               |                          | <b>2,830,743</b> | <b>1,362,262</b> |
| <b>Total</b>                  |                          | <b>3,877,986</b> | <b>2,409,505</b> |
| Allowance for possible losses |                          | (35,028)         | (35,028)         |
| <b>Total - Net</b>            |                          | <b>3,842,958</b> | <b>2,374,477</b> |

|                               | Arange<br>Interest Rates<br>% | 1998                        |                               |
|-------------------------------|-------------------------------|-----------------------------|-------------------------------|
|                               |                               | Consolidated<br>Rp '000'000 | Parent Company<br>Rp '000'000 |
| Rupiah                        |                               |                             |                               |
| Call money                    | 65.36                         | 1,093,846                   | 1,093,846                     |
| Time deposits                 | 60.00                         | 2,943,000                   | 2,943,000                     |
| Certificates of Deposit       | 51.00                         | 28,921                      | 28,921                        |
| Subtotal                      |                               | 4,065,767                   | 4,065,767                     |
| Foreign Currencies            |                               |                             |                               |
| Call money                    | 20.07                         | 2,720,383                   | 1,519,723                     |
| Time deposits                 | 9.50                          | 759,376                     | 3,918                         |
| Subtotal                      |                               | 3,479,759                   | 1,523,641                     |
| Total                         |                               | 7,545,526                   | 5,589,408                     |
| Allowance for possible losses |                               | (77,664)                    | (77,664)                      |
| Total - Net                   |                               | 7,467,862                   | 5,511,744                     |

Placements with other banks as of December 31, 1999 included placement with related party bank in the amount of Rp 2,344,775 million on a consolidated basis (1998 : Rp 3,126,287 million) and Rp 1,065,000 million on a parent company basis (1998 : Rp 1,489,039 million). Consolidated placement with related party bank amounting to Rp 2,344,775 million as of December 31, 1999 was related to consolidated placement from related party bank amounting to Rp 1,305,497 million (Note 21). The Company, Sinar Mas Group and the Indonesian Bank Restructuring Agency had agreed to restructure the repayment schedule of the Parent Company's placement with related party as of December 31, 1999 (Note 43d). Interest payment on that placement is still current.

Placement with related party bank was made under similar terms and conditions as those with non-related parties.

Placement with other banks (call money) as of December 31, 1999 included placements with taken over banks and frozen banks amounting Rp 1,009,576 million (1998 : Rp 1,434,345 million). Claims on placements with frozen banks have been filed with the Indonesian Bank Restructuring Agency. The Company has received payment of those placements amounting to Rp 425,000 million in December 1999 and Rp 150,340 million in the early 2000 (Note 43b). On April 27, 2000, the Indonesian Bank Restructuring Agency and Sinar Mas Group signed a memorandum of understanding to cover possible losses arising from placements with frozen banks (Bank Putra Surya Perkasa and Bank Bira) amounting to Rp 768 billion (see Note 43f).

Call money represents placements with maturity between 1 day and 90 days, while the tenure of time deposits is between 1 month and 3 months. Placement with closed banks, taken-over bank and frozen banks have been due for more than 90 days.

Management believes that the allowance for possible losses on placements with other banks at balance sheet dates is adequate to cover possible losses which might arise from uncollectible placements with other banks.

**7. MARKETABLE SECURITIES**

|                                                      | Consolidated |             | Parent Company |             |
|------------------------------------------------------|--------------|-------------|----------------|-------------|
|                                                      | 1999         | 1998        | 1999           | 1998        |
|                                                      | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| <b>Held to maturity :</b>                            |              |             |                |             |
| Bonds of the Indonesian Government issued            |              |             |                |             |
| for the Company's Recapitalization Program (Note 1d) | 8,714,000    | -           | 8,714,000      | -           |
| Excess to be refunded to the Indonesian Government   | (2,086,424)  | -           | (2,086,424)    | -           |
| Government bonds - Net                               | 6,627,576    | -           | 6,627,576      | -           |
| Certificates of Bank Indonesia (SBI)                 | 2,660,800    | 520,000     | 2,660,800      | 520,000     |
| Unamortized discount                                 | (26,632)     | (10,012)    | (26,632)       | (10,012)    |
| Certificates of Bank Indonesia (SBI) - Net           | 2,634,168    | 509,988     | 2,634,168      | 509,988     |
| Placement with Bank Indonesia                        | 451,000      | 160,000     | 451,000        | 160,000     |
| Receivable on export bills                           | 4,231,425    | 8,112,800   | 4,068,510      | 7,994,802   |
| Unamortized discount                                 | (44,118)     | (365,529)   | (44,118)       | (365,529)   |
| Receivable on Export Bills - Net                     | 4,187,307    | 7,747,271   | 4,024,392      | 7,629,273   |
| Money market securities (SBPU)                       | 896,000      | 896,000     | 896,000        | 896,000     |
| Notes receivable                                     | 2,370,114    | -           | 2,370,114      | -           |
| Unamortized discount                                 | (105,133)    | -           | (105,133)      | -           |
| Effect of change in investment purpose               | (169,041)    | -           | (169,041)      | -           |
| Permanent decline in value of marketable securities  | (89,369)     | -           | (89,369)       | -           |
| Notes receivable - Net                               | 2,006,571    | -           | 2,006,571      | -           |
| Bonds                                                | 303,844      | -           | 303,844        | -           |
| Unamortized discount                                 | (9,273)      | -           | (9,273)        | -           |
| Effect of change in investment purpose               | (84,436)     | -           | (84,436)       | -           |
| Bonds - Net                                          | 210,135      | -           | 210,135        | -           |
| Draft                                                | 275          | 8,021       | 275            | 8,021       |
| Traveller cheques                                    | 945          | 153         | 945            | 153         |

|                                           | Consolidated |             | Parent Company |             |
|-------------------------------------------|--------------|-------------|----------------|-------------|
|                                           | 1999         | 1998        | 1999           | 1998        |
|                                           | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| <b>Available for sale :</b>               |              |             |                |             |
| Notes receivable                          | 543,615      | 2,664,526   | 543,615        | 2,664,526   |
| Allowance for decline in market value     | (65,339)     | (348,052)   | (65,339)       | (348,052)   |
| Notes receivable - Net                    | 478,276      | 2,316,474   | 478,276        | 2,316,474   |
| Bonds                                     | 211,887      | 601,891     | 211,887        | 601,891     |
| Allowance for decline in market value     | 768          | (261,717)   | 768            | (261,717)   |
| Bonds - Net                               | 212,655      | 340,174     | 212,655        | 340,174     |
| Shares listed in the stock exchange       | 256          | 2,442       | 256            | 2,442       |
| Allowance for decline in market value     | 140          | (1,832)     | 140            | (1,832)     |
| Shares listed on the stock exchange - Net | 396          | 610         | 396            | 610         |
| Total                                     | 17,705,304   | 11,978,691  | 17,542,389     | 11,860,693  |
| Allowance for possible losses             | (124,784)    | (1,471,393) | (124,784)      | (1,467,095) |
| Total - Net                               | 17,580,520   | 10,507,298  | 17,417,605     | 10,393,598  |

Excess amount of Government bonds amounting to Rp 2,086,424 million has been refunded to the Indonesian Government through the Indonesian Bank Restructuring Agency in April 2000. The Company has been earning interest income on Government bonds since July 1999, calculated based on principal of Rp 6,627,576 million. The average interest rates on Government bonds (denominated in Rupiah currency) ranges from 14% to 19% per annum.

Outstanding consolidated export bills as of December 31, 1999 amounting to Rp 4,059,598 million (1998 : Rp 7,956,744 million) were purchased from related parties. The export bills purchased have been accepted by importers. Export bills amounting to Rp 4,008,810 million (1998 : Rp 7,541,579 million) had been rediscounted with Bank Indonesia. The Company, Sinar Mas Group and the Indonesian Bank Restructuring Agency had agreed to restructure the repayment schedule of export bills purchased by the Company from its related parties (Note 43d). Interest payment on the receivable is still current.

Money market securities represent securities endorsed by a closed bank (Bank Umum Nasional) amounting to Rp 896,000 million. Claim on the securities has been filed with the Indonesian Bank Restructuring Agency. On April 27, 2000, the Indonesian Bank Restructuring Agency and Sinar Mas Group signed a memorandum of understanding to cover possible losses arising from the securities (Note 43 f).

The consolidated notes receivable as of December 31, 1999 included notes receivable issued by related parties in the amount of Rp 585,750 million (1998 : Rp 593,850 million).

The balance of notes receivable sold under repurchase agreement as of December 31, 1999 was nil (1998 : Rp 125,417 million). These notes receivable are recorded as "liabilities to repurchase assets sold with repo terms" in the statements of commitments and contingencies.

Bonds consist of securities denominated in Rupiah issued by other companies in Indonesia. The bonds as of December 31, 1999 included issuance by related parties amounting to Rp 91,600 million (1998 : Rp 184,900 million). Bonds amounting to Rp 22,000 million (1998 : Rp 14,000 million) are held as "sinking fund" investments for the bonds issued by the Company.

Market value of notes receivable and bonds which investment purpose was "held to maturity" aggregated to Rp 2,241,989 million as at December 31, 1999. The Company changed the investment purpose of notes receivable and bonds totalling Rp 1,188,258 million from "available for sale" to "held to maturity" in 1999 in relation to financial risk management



policy. Difference between cost and market value of those securities when transferred was Rp 253,477 million, which would be amortized against securities balance using straight-line method up to maturity dates.

Following is securities classified as available for sale and held to maturity (except shares) by maturity :

|                                    | Net amount<br>Rp '000 '000 |
|------------------------------------|----------------------------|
| - Less than 1 year                 | 8,760,036                  |
| - More than 1 year up to 5 years   | 7,262,108                  |
| - More than 5 years up to 10 years | 2,090,181                  |
| <b>Total</b>                       | <b>18,112,325</b>          |

The average interest rates on Certificates of Bank Indonesia, notes receivable and bonds denominated in Rupiah currency as of December 31, 1999 range from 11% to 15% per annum (1998 : 20% to 45% per annum), while the average interest rates on notes receivable and export bills denominated in foreign currencies as of December 31, 1999 range from 6% to 9% per annum (1998 : 9% to 15% per annum).

Purchases of marketable securities from related parties were made under similar terms and conditions as those done with non-related parties.

Management believes that the allowance for possible losses on marketable securities at balance sheet dates is adequate to cover possible losses which might arise from uncollectible marketable securities.

## 8. LOANS

### a. Classified Based on Type of Loans

|                                      | Consolidated       |                    | Parent Company     |                    |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                      | 1999               | 1998               | 1999               | 1998               |
|                                      | Rp '000'000        | Rp '000'000        | Rp '000'000        | Rp '000'000        |
| Promissory notes                     | 8,498,924          | 13,878,303         | 7,413,180          | 12,337,484         |
| Small business credits (KUK)         | 892,784            | 903,572            | 892,784            | 903,572            |
| Export credits                       | 840,314            | 1,084,726          | 839,726            | 1,075,412          |
| Housing loans (KPR)                  | 565,053            | 760,120            | 565,053            | 760,120            |
| Overdrafts                           | 336,824            | 930,306            | 320,771            | 919,059            |
| Import credits                       | 183,560            | 277,877            | 57,093             | 131,054            |
| Credit card receivables              | 172,973            | 150,407            | 172,973            | 150,407            |
| KIK, KMKP, KI and KPG                | 120,647            | 55,452             | 120,647            | 55,452             |
| Factoring receivable                 | 53,999             | 153,751            | -                  | -                  |
| KCMP                                 | 29,830             | 6,726              | 29,830             | 6,726              |
| Staff loans                          | 23,733             | 27,998             | 20,132             | 23,976             |
| Lease receivables - net              | 17,051             | 59,937             | -                  | -                  |
| Advances under letters of credit     | 9,044              | 126,288            | 9,044              | 126,288            |
| Consumer financing receivable - net  | 4,320              | 89,813             | -                  | -                  |
| Others                               | 55,888             | 19,550             | 55,887             | 19,550             |
| <b>Total</b>                         | <b>11,804,944</b>  | <b>18,524,826</b>  | <b>10,497,120</b>  | <b>16,509,100</b>  |
| <b>Allowance for possible losses</b> | <b>(1,758,364)</b> | <b>(7,547,777)</b> | <b>(1,630,683)</b> | <b>(7,366,210)</b> |
| <b>Total - Net</b>                   | <b>10,046,580</b>  | <b>10,977,049</b>  | <b>8,866,437</b>   | <b>9,142,890</b>   |



- b. The balance of KUK Channelling outstanding as of December 31, 1999 amounted to Rp 106,730 million (1998 : Rp 165,528 million), of which Rp 70,000 million (1998 : Rp 70,778 million) had been distributed through a subsidiary which operates as multifinance company.
- c. Loan collaterals are usually in the form of tangible assets (i.e. land, building, machinery, inventory and time deposits).
- d. Housing loans (KPR) amounting to Rp 205 billion are pledged as security for bonds issued by the Company (See Note 20).
- e. Changes in the allowance for possible losses on loans :

|                                            | Consolidated |             | Parent Company |             |
|--------------------------------------------|--------------|-------------|----------------|-------------|
|                                            | 1999         | 1998        | 1999           | 1998        |
|                                            | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| Balance at Beginning of Year               | 7,547,777    | 220,223     | 7,366,210      | 189,677     |
| Additions :                                |              |             |                |             |
| Recoveries of loans previously written off | 148,615      | 15,353      | 148,615        | 15,336      |
| Provision during the year                  | 444,420      | 7,705,185   | 386,775        | 7,559,371   |
| Difference in foreign currency translation | 166,583      | 5,190       | 158,151        | -           |
| Deductions :                               |              |             |                |             |
| Reversal                                   | (42,944)     | -           | -              | -           |
| Loans written off during the year          | (6,506,087)  | (398,174)   | (6,429,068)    | (398,174)   |
| Balance at End of Year                     | 1,758,364    | 7,547,777   | 1,630,683      | 7,366,210   |

Loans written-off in 1999 include loans transferred to the Indonesian Bank Restructuring Agency Assets Management Unit amounting to Rp 5,615,667 million for zero value in May 1999 (see Note 41b).

Management believes that the allowance for possible losses on loans at balance sheet dates is adequate to cover possible losses which might arise from uncollectible loans.

- f. Consolidated loans classified as doubtful and loss as of December 31, 1999 was Rp 2,490,541 million (1998 : Rp 8,827,396 million). Collateral value for these loans as of December 31, 1999 was Rp 694,276 million (1998 : Rp 2,914,636 million).
- g. Loans granted to related parties as of December 31, 1999 was Rp 4,409,208 million (1998 : Rp 2,977,179 million) on a consolidated basis and Rp 3,499,562 million (1998 : Rp 2,633,900 million) on a parent company basis. The amount included loan to staff amounting to Rp 23,733 million on a consolidated basis and Rp 20,132 million on a parent company basis (1998 : Rp 27,998 million on a consolidated basis and Rp 23,976 million on a parent company basis) , and loans amounting to Rp 3,817,433 million (representing 32% of total loans) on a consolidated basis and Rp 2,911,388 million (representing 28% of total loans) on a parent company basis as at December 31, 1999 (1998 : Rp 2,454,855 million or representing 13% of total loans on a consolidated basis and Rp 2,454,855 million or representing 15% of total loans on a parent company basis) to customers having special cooperation with companies within Sinar Mas Group. Balance of loans given to related parties as at December 31, 1998 was restated and became Rp 2,977,179 million from previous balance of Rp 522,324 million (on a parent company basis the balance became Rp 2,633,900 million from previous balance of Rp 179,045 million), because the Company decided to categorize parties having special cooperation with companies within Sinar Mas Group as related parties.

The Company, Sinar Mas Group and the Indonesian Bank Restructuring Agency had agreed to restructure the repayment schedule of loans granted by the Company to related parties (except loan to employees, Note 43d). Interest payments on those loans are still current.

Except for loans to employees, loans are granted to related parties under similar terms and conditions as those granted to non-related parties.

- h. Syndicated loans as of December 31, 1999 amounted to Rp 1,396,352 million (1998 : Rp 1,332,339 million). The Company participates as a leader or member of syndicate with sharing percentages ranging between 7% and 36% of the total syndicated loan amount.

- i. Loans classified based on tenure :

|                                 | Consolidated      |                   | Parent Company    |                   |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                 | 1999              | 1998              | 1999              | 1998              |
|                                 | Rp '000'000       | Rp '000'000       | Rp '000'000       | Rp '000'000       |
| Short-term credits (< = 1 year) | 7,765,499         | 9,853,136         | 6,552,500         | 8,833,825         |
| Long-term credits (> 1 year)    | 4,039,445         | 8,671,690         | 3,944,620         | 7,675,275         |
| <b>Total</b>                    | <b>11,804,944</b> | <b>18,524,826</b> | <b>10,497,120</b> | <b>16,509,100</b> |

- j. The average interest rates per annum on loans of the Company are as follows :

|                       | 1999   | 1998   |
|-----------------------|--------|--------|
| In Rupiah             | 25.09% | 55.09% |
| In foreign currencies | 13.22% | 19.90% |

- k. The Company's loans classified by economic sector according to Bank Indonesia's Decree :

|                                | 1999              | 1998              |
|--------------------------------|-------------------|-------------------|
|                                | Rp '000'000       | Rp '000'000       |
| Services                       | 3,764,303         | 6,128,012         |
| Manufacturing                  | 3,143,055         | 5,605,612         |
| Trade                          | 1,735,770         | 2,706,477         |
| Agriculture and transportation | 1,622,336         | 1,431,969         |
| Construction                   | 610,887           | 1,091,112         |
| Others                         | 928,593           | 1,561,644         |
| <b>Total</b>                   | <b>11,804,944</b> | <b>18,524,826</b> |

The real estate and property sectors are included in the services sector.

## 9. INCOME RECEIVABLE

|                          | Consolidated   |                | Parent Company |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 1999           | 1998           | 1999           | 1998           |
|                          | Rp '000'000    | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| Interest Receivable on : |                |                |                |                |
| • Interbank placements   | 398,935        | 93,931         | 362,144        | 89,211         |
| • Loans                  | 159,574        | 225,723        | 140,128        | 199,285        |
| • Marketable securities  | 200,968        | 69,201         | 200,968        | 69,201         |
| <b>Total</b>             | <b>759,477</b> | <b>388,855</b> | <b>703,240</b> | <b>357,697</b> |

Interest receivable on interbank placements included interest receivable on interbank placements with frozen banks (Bank Papan Sejahtera, Bank Aken and Bank Dagang Nasional Indonesia) amounting Rp 253,928 million which had been collected in the early 2000 (Note 43c). Interest receivable as of December 31, 1999 did not include overdue interest from Bank Putera Surya Perkasa and Bank Bira (frozen banks) amounting to Rp 342 billion (Note 43f) and overdue interest of Bank Umum Nasional (closed bank) in relation to securities endorsed by the respective bank (Note 7). The overdue interests were not recognized as income in the statements of income for period up to December 31, 1999.

**10. PREPAYMENTS**

|         | Consolidated |             | Parent Company |             |
|---------|--------------|-------------|----------------|-------------|
|         | 1999         | 1998        | 1999           | 1998        |
|         | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| Rentals | 57,312       | 27,507      | 57,133         | 27,507      |
| Others  | 25,745       | 20,382      | 24,215         | 17,056      |
| Total   | 83,057       | 47,889      | 81,348         | 44,563      |

Prepaid rent as of December 31, 1999 included an unamortized rental fee paid to PT Royal Oriental, a related party.

Other prepayments include insurance premiums, car license, advances for the installation of computers, purchase of uniforms and advertisements.

**11. INVESTMENTS IN SHARES**

The balances represent investments in shares of the following companies:

|                                              | Consolidated |             | Parent Company |             |
|----------------------------------------------|--------------|-------------|----------------|-------------|
|                                              | 1999         | 1998        | 1999           | 1998        |
|                                              | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| PT BII Finance Center                        |              |             |                |             |
| Cost                                         | -            | -           | 37,500         | 37,500      |
| Percentage of ownership - 99.99%             |              |             |                |             |
| Equity in deficit                            | -            | -           | (31,267)       | (112,731)   |
| BII Finance Co. Limited Hong Kong            |              |             |                |             |
| Cost                                         | -            | -           | 13,563         | 13,563      |
| Percentage of ownership - 100%               |              |             |                |             |
| Equity in retained earnings                  | -            | -           | 11,194         | 7,716       |
| Bank International Ningbo                    |              |             |                |             |
| Cost                                         | -            | -           | 109,100        | 109,100     |
| Percentage of ownership - 100%               |              |             |                |             |
| Equity in retained earnings                  | -            | -           | 182,513        | 69,028      |
| PT BII Lend Lease Investment Services        |              |             |                |             |
| Cost                                         | 4,777        | 4,777       | 4,777          | 4,777       |
| Percentage of ownership - 50%                |              |             |                |             |
| Equity in deficit                            | (3,390)      | (3,290)     | (3,390)        | (3,290)     |
| PT Fuji Bank Internasional Indonesia         |              |             |                |             |
| Cost                                         | 27,250       | 27,250      | 27,250         | 27,250      |
| Percentage of ownership - 20%                |              |             |                |             |
| Equity in retained earnings                  | 23,704       | 10,035      | 23,704         | 10,035      |
| PT Bank Credit Lyonnais Indonesia            |              |             |                |             |
| Cost                                         | 10,000       | 10,000      | 10,000         | 10,000      |
| Percentage of ownership - 3.29% (1998 : 20%) |              |             |                |             |
| Equity in retained earnings                  | -            | -           | -              | -           |

|                                           | Consolidated |             | Parent Company |             |
|-------------------------------------------|--------------|-------------|----------------|-------------|
|                                           | 1999         | 1998        | 1999           | 1998        |
|                                           | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| PT Bank Dagang dan Industri (closed bank) |              |             |                |             |
| Cost                                      | 16,754       | 16,754      | 16,754         | 16,754      |
| Percentage of ownership - 24.55%          |              |             |                |             |
| Equity in retained earnings               | -            | -           | -              | -           |
| PT Bank BII Commonwealth                  |              |             |                |             |
| Cost                                      | 75,000       | 75,000      | 75,000         | 75,000      |
| Percentage of ownership - 50%             |              |             |                |             |
| Equity in retained earnings (deficit)     | (3,349)      | (9,831)     | (3,349)        | (9,831)     |
| Investments in other companies by         |              |             |                |             |
| PT BII Finance Center                     | 9,664        | 13,941      | -              | -           |
| Others                                    | 3,346        | 3,587       | 3,346          | 3,587       |
| Total                                     | 163,756      | 148,223     | 476,695        | 258,458     |
| Allowance for possible losses             | (20,396)     | (32,980)    | (18,299)       | (28,483)    |
| Total - Net                               | 143,360      | 115,243     | 458,396        | 229,975     |

In the Extraordinary Stockholders' Meeting held on March 31, 1999, the stockholders agreed to divest all of the Company's investments in subsidiaries and associated companies to comply with Bank Indonesia's Decree No. 31/177/KEP/DIR dated December 31, 1998 regarding "Legal Lending Limit".

PT Bank Dagang dan Industri was closed by the Indonesian Government on March 13, 1999. Other stockholders of PT Bank Dagang dan Industri includes PT Bank Lippo Tbk. In January 1998, PT Bank Dagang dan Industri participated in the Government's guarantee program to cover third party deposits in commercial banks. From January 1998 to March 1999, Bank Indonesia provided Rp 460 billion to PT Bank Dagang dan Industri to cover deposit shortfalls pursuant to the guarantee program. On March 13, 1999, the Indonesian Bank Restructuring Agency took over all the obligations of PT Bank Dagang dan Industri, including the collateral securing the loans. In the event that the proceeds recovered through restructuring of the loans and disposal of the assets securing the loans do not equal to Rp 460 billion plus accrued interest provided by Bank Indonesia to PT Bank Dagang dan Industri under the guarantee program, the Company, as an equity holder, may be liable for a pro-rata share on the amount owed to the Indonesian Bank Restructuring Agency. However, at this point in time, the likelihood of a favourable or unfavourable outcome can not reasonably be determined.

Percentage of ownership of investment in shares of PT Bank Credit Lyonnais Indonesia was diluted from 20% to 3.29% when the major stockholder (Bank Credit Lyonnais Switzerland) injected additional capital to this associated Company in August 1999 amounting to Rp 1,036,225 million. The Company did not make additional investments to PT Bank Credit Lyonnais Indonesia. Hence, recording method for investments in shares of this associated company has been changed from equity method to cost method.

Other investments represent long-term investments in shares of various companies in which the ownership interest of the Company is less than 5%. Those companies are PT Aplikasi Lintas Arta, PT Sarana Bersama Pembiayaan Indonesia, PT Sarana Sulsel Ventura, PT Sarana Bali Ventura, PT Sarana Sumatera Barat Ventura, PT Sarana Lampung Ventura, PT Sarana Sumsel Ventura, PT Sarana Jambi Ventura, PT Sarana Kalbar Ventura, PT Sarana Sulut Ventura, PT Bhakti Sarana Ventura, PT Penjamin Kredit Pengusaha Indonesia, PT Sarana Riau Ventura and PT Sarana Sumut Ventura.

The management believes that the allowance for possible losses on investments in shares at balance sheet dates is adequate to cover possible losses which might arise from investments in shares.

**12. PREMISES AND EQUIPMENT**

|                                | Consolidated |             | Parent Company |             |
|--------------------------------|--------------|-------------|----------------|-------------|
|                                | 1999         | 1998        | 1999           | 1998        |
|                                | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| Cost or Revalued Amounts       |              |             |                |             |
| Direct Acquisitions :          |              |             |                |             |
| Land                           | 435,177      | 107,284     | 444,383        | 107,284     |
| Buildings                      | 368,098      | 253,266     | 348,094        | 230,656     |
| Office equipment               | 676,871      | 232,009     | 657,844        | 222,962     |
| Installations                  | 323,672      | 79,092      | 321,269        | 75,477      |
| Vehicles                       | 75,195       | 56,444      | 71,935         | 52,359      |
| Total Cost or Revalued Amounts | 1,879,013    | 728,095     | 1,843,525      | 688,738     |
| Accumulated Depreciation       |              |             |                |             |
| Direct Acquisitions :          |              |             |                |             |
| Buildings                      | 27,335       | 50,283      | 22,159         | 45,450      |
| Office equipment               | 147,815      | 128,297     | 139,778        | 121,636     |
| Installations                  | 152,750      | 55,708      | 151,605        | 53,474      |
| Vehicles                       | 37,685       | 41,579      | 35,683         | 39,235      |
| Total Accumulated Depreciation | 365,585      | 275,867     | 349,225        | 259,795     |
| Net Book Value                 | 1,513,428    | 452,228     | 1,494,300      | 428,943     |

Changes from January 1, 1999 up to December 31, 1999 in premises and equipment balances are as follows :

|                                | January 1,<br>1999 | Revaluation<br>Increment | Additions   | Deductions  | Translation                       | December 31,<br>1999 |
|--------------------------------|--------------------|--------------------------|-------------|-------------|-----------------------------------|----------------------|
|                                |                    |                          |             |             | Adjustments/<br>Reclassifications |                      |
|                                | Rp '000'000        | Rp '000'000              | Rp '000'000 | Rp '000'000 | Rp '000'000                       | Rp '000'000          |
| Cost or Revalued Amounts       |                    |                          |             |             |                                   |                      |
| Direct Acquisitions :          |                    |                          |             |             |                                   |                      |
| Land                           | 107,284            | 326,077                  | 1,816       | -           | -                                 | 435,177              |
| Buildings                      | 253,266            | 116,436                  | 1,907       | -           | (3,511)                           | 368,098              |
| Office equipment               | 232,009            | 471,114                  | 33,375      | 1,270       | (58,357)                          | 676,871              |
| Installations                  | 79,092             | 393,603                  | 32,075      | 1,689       | (179,409)                         | 323,672              |
| Vehicles                       | 56,444             | 35,965                   | 2,411       | 1,572       | (18,053)                          | 75,195               |
| Total Cost or Revalued Amounts | 728,095            | 1,343,195                | 71,584      | 4,531       | (259,330)                         | 1,879,013            |
| Accumulated Depreciation       |                    |                          |             |             |                                   |                      |
| Direct Acquisitions :          |                    |                          |             |             |                                   |                      |
| Buildings                      | 50,283             | -                        | 21,946      | -           | (44,894)                          | 27,335               |
| Office equipment               | 128,297            | -                        | 169,133     | 1,261       | (148,354)                         | 147,815              |
| Installations                  | 55,708             | -                        | 139,002     | 1,173       | (40,787)                          | 152,750              |
| Vehicles                       | 41,579             | -                        | 13,677      | 429         | (17,142)                          | 37,685               |
| Total Accumulated Depreciation | 275,867            | -                        | 343,758     | 2,863       | (251,177)                         | 365,585              |
| Net Book Value                 | 452,228            |                          |             |             |                                   | 1,513,428            |



Changes from January 1, 1998 up to December 31, 1998 in premises and equipment balances are as follows :

|                                       | January 1,<br>1998<br>Rp '000'000 | Additions<br>Rp '000'000 | Deductions<br>Rp '000'000 | Translation<br>Adjustments/<br>Rp '000'000 | December 31,<br>1998<br>Rp '000'000 |
|---------------------------------------|-----------------------------------|--------------------------|---------------------------|--------------------------------------------|-------------------------------------|
| <b>Cost</b>                           |                                   |                          |                           |                                            |                                     |
| Direct acquisitions :                 |                                   |                          |                           |                                            |                                     |
| Land                                  | 95,494                            | 11,799                   | 9                         | -                                          | 107,284                             |
| Buildings                             | 212,500                           | 103,649                  | 71,941                    | 9,058                                      | 253,266                             |
| Office equipment                      | 155,241                           | 120,122                  | 44,538                    | 1,184                                      | 232,009                             |
| Installations                         | 57,520                            | 30,583                   | 10,246                    | 1,235                                      | 79,092                              |
| Vehicles                              | 52,535                            | 6,477                    | 3,772                     | 1,204                                      | 56,444                              |
| <b>Total Cost</b>                     | <b>573,290</b>                    | <b>272,630</b>           | <b>130,506</b>            | <b>12,681</b>                              | <b>728,095</b>                      |
| <b>Accumulated Depreciation</b>       |                                   |                          |                           |                                            |                                     |
| Direct Acquisitions :                 |                                   |                          |                           |                                            |                                     |
| Buildings                             | 34,089                            | 14,582                   | -                         | 1,612                                      | 50,283                              |
| Office equipment                      | 95,923                            | 33,700                   | 2,029                     | 703                                        | 128,297                             |
| Installations                         | 34,934                            | 20,082                   | 156                       | 848                                        | 55,708                              |
| Vehicles                              | 35,546                            | 5,586                    | 22                        | 469                                        | 41,579                              |
| <b>Total Accumulated Depreciation</b> | <b>200,492</b>                    | <b>73,950</b>            | <b>2,207</b>              | <b>3,632</b>                               | <b>275,867</b>                      |
| <b>Net Book Value</b>                 | <b>372,798</b>                    |                          |                           |                                            | <b>452,228</b>                      |

The Company and its subsidiaries own several pieces of land with Building Use Rights (Hak Guna Bangunan or HGB) for a period of 20 years until 2000 to 2018. Management believes that there will be no difficulty in the extension of the landrights since all the pieces of land are acquired legally and supported by sufficient evidence of ownership.

Premises and equipment, except land, of the Company as of December 31, 1999 were insured with PT Asuransi Sinar Mas (a related party) for the amount of Rp 254,701 million. The management believes that the insurance coverage is adequate to cover possible losses on these assets.

### 13. OTHER ASSETS

|                                         | Consolidated        |                     | Parent Company      |                     |
|-----------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                         | 1999<br>Rp '000'000 | 1998<br>Rp '000'000 | 1999<br>Rp '000'000 | 1998<br>Rp '000'000 |
| Assets seized on loans in default - Net | 322,965             | 257,689             | 322,965             | 257,689             |
| Unused assets - Net                     | 51,276              | 58,025              | 49,382              | 58,025              |
| New branch opening costs                | 3,362               | 6,078               | 2,949               | 6,078               |
| Building renovation and repairs         | 3,601               | 4,432               | 3,498               | 4,432               |
| Interbranch                             | -                   | 38,339              | -                   | 38,339              |
| Accounts receivable                     | 54,569              | 866,736             | 53,517              | 863,546             |
| Others - Net                            | 35,251              | 57,726              | 34,619              | 53,700              |
| <b>Total - Net</b>                      | <b>471,024</b>      | <b>1,289,025</b>    | <b>466,930</b>      | <b>1,281,809</b>    |

Other assets include guarantee deposits for office rent, receivable from foreign currency swap transactions with related party which were due in February 1999 (amounted to Rp 1,000,375 million as of December 31, 1999 and Rp 928,476 million as of December 31, 1998), telephone, and golf memberships and others.



The balance of assets seized on loans in default, unused assets and other assets are net of allowance for losses amounting to Rp 404,152 million, Rp 13,986 million, and Rp 1,000,375 million, respectively, in 1999 (1998 : Rp 244,694 million, and Rp 10,086 million, and Rp 928,476 million, respectively).

**14. DEMAND DEPOSITS**

|                      | Consolidated |             | Parent Company |             |
|----------------------|--------------|-------------|----------------|-------------|
|                      | 1999         | 1998        | 1999           | 1998        |
|                      | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| Interest bearing     | 6,484,137    | 2,832,114   | 5,649,163      | 2,977,124   |
| Non-interest bearing | 200,701      | 755,796     | 200,701        | 755,796     |
| Total                | 6,684,838    | 3,587,910   | 5,849,864      | 3,732,920   |

The average interest rate on demand deposits as of December 31, 1999 was 5.43% per annum (1998 : 9.80% per annum) for Rupiah, and 4.78% per annum for foreign currencies (1998 : 5.07% per annum).

The balance of demand deposits from related parties as of December 31, 1999 amounted to Rp 1,112,718 million (1998 : Rp 239,884 million) on a consolidated basis and Rp 291,861 million (1998 : Rp 239,884 million) on a parent company basis. No demand deposits were blocked as of December 31, 1999 and 1998.

The interest rates on demand deposits from related parties are similar to those offered to non-related parties.

**15. SAVINGS DEPOSITS**

|                        | Consolidated |             | Parent Company |             |
|------------------------|--------------|-------------|----------------|-------------|
|                        | 1999         | 1998        | 1999           | 1998        |
|                        | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| BII savings deposits   | 3,243,119    | 1,710,645   | 3,243,119      | 1,708,758   |
| Kesra savings deposits | 36,225       | 45,298      | 36,225         | 45,298      |
| Other savings deposits | 2,042        | 515         | -              | 515         |
| Total                  | 3,281,386    | 1,756,458   | 3,279,344      | 1,754,571   |

|                                 | 1999  | 1998   |
|---------------------------------|-------|--------|
| Average interest rate per annum | 8.79% | 20.63% |

**16. TIME DEPOSITS**

a. Classified based on maturity :

|           | Consolidated |             | Parent Company |             |
|-----------|--------------|-------------|----------------|-------------|
|           | 1999         | 1998        | 1999           | 1998        |
|           | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| 1 month   | 14,263,144   | 17,802,671  | 14,200,264     | 17,709,421  |
| 3 months  | 948,718      | 1,985,386   | 877,025        | 1,919,837   |
| 6 months  | 200,039      | 269,478     | 162,262        | 216,201     |
| 12 months | 433,909      | 273,323     | 206,188        | 216,113     |
| Total     | 15,845,810   | 20,330,858  | 15,445,739     | 20,061,572  |

- b. The average interest rates per annum on time deposits in Rupiah are as follows :

|           | 1999   | 1998   |
|-----------|--------|--------|
| 1 month   | 12.22% | 53.46% |
| 3 months  | 12.68% | 41.43% |
| 6 months  | 12.61% | 37.48% |
| 12 months | 22.84% | 33.26% |

- c. The average interest rates per annum on time deposits in foreign currencies are as follows:

|           | 1999  | 1998   |
|-----------|-------|--------|
| 1 month   | 5.31% | 13.40% |
| 3 months  | 5.52% | 13.06% |
| 6 months  | 5.97% | 10.64% |
| 12 months | 7.21% | 7.70%  |

Total time deposits which were blocked or under lien as of December 31, 1999 amounted to Rp 284,448 million (1998 : Rp 327,156 million) on a consolidated basis and Rp 284,448 million (1998 : Rp 327,156 million) on a parent company basis.

The balance of time deposits from related parties as of December 31, 1999 amounted Rp 328,817 million (1998 : Rp 1,331,111 million) on a consolidated basis and Rp 229,908 million (1998 : Rp 1,331,111 million) on a parent company basis.

The interest rates on time deposits from related parties are similar to those offered to non-related parties.

## 17. CERTIFICATES OF DEPOSIT

- a. Classified based on maturity :

|                  | Consolidated |             | Parent Company |             |
|------------------|--------------|-------------|----------------|-------------|
|                  | 1999         | 1998        | 1999           | 1998        |
|                  | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| 1 month          | 86,313       | 84,282      | 86,313         | 84,282      |
| 3 months         | 170,400      | 21,115      | 170,400        | 21,115      |
| 6 months         | 3,445        | 5,343       | 3,445          | 5,343       |
| 12 months        | 29,472       | 1,129,317   | 29,160         | 1,129,241   |
| Total            | 289,630      | 1,240,057   | 289,318        | 1,239,981   |
| Prepaid interest | (599)        | (2,544)     | (587)          | (2,544)     |
| Total - Net      | 289,031      | 1,237,513   | 288,731        | 1,237,437   |

- b. The average interest rates per annum on certificates of deposit in Rupiah are as follows :

|           | 1999   | 1998   |
|-----------|--------|--------|
| 1 month   | 11.76% | 58.81% |
| 3 months  | 13.56% | 39.74% |
| 6 months  | 12.76% | 35.99% |
| 12 months | 12.52% | 37.78% |

- c. The average interest rates per annum on certificates of deposit in foreign currencies as of December 31, 1999 ranged from 5.88% to 7.45% (1998 : 6.00% to 9.31%).

**18. OTHER CURRENT LIABILITIES**

|                                               | Consolidated   |                | Parent Company |                |
|-----------------------------------------------|----------------|----------------|----------------|----------------|
|                                               | 1999           | 1998           | 1999           | 1998           |
|                                               | Rp '000'000    | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| Unclaimed matured deposits                    | 20,132         | 18,322         | 20,132         | 18,322         |
| Transfer, cheques for collection and clearing | 18,142         | 19,603         | 18,142         | 19,603         |
| Other bank liabilities                        | 143,962        | 184,549        | 127,564        | 148,396        |
| <b>Total</b>                                  | <b>182,236</b> | <b>222,474</b> | <b>165,838</b> | <b>186,321</b> |

Other bank liabilities included payments received for electricity, telephone and transfer which are still in the clearing process.

**19. TAXES PAYABLE AND TAX BENEFIT/EXPENSE**

Taxes payable consist of :

|                                 | Consolidated  |                | Parent Company |                |
|---------------------------------|---------------|----------------|----------------|----------------|
|                                 | 1999          | 1998           | 1999           | 1998           |
|                                 | Rp '000'000   | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| Corporate income taxes          | 15,421        | 6,507          | -              | -              |
| Income taxes articles 21 and 23 | 48,110        | 105,304        | 47,985         | 105,304        |
| <b>Total</b>                    | <b>63,531</b> | <b>111,811</b> | <b>47,985</b>  | <b>105,304</b> |

Corporate income taxes payable as of December 31, 1999 represent income taxes payable of Bank International Ningbo and BII Finance Co. Ltd. Hong Kong.

Lodgment of tax returns is based on taxpayers' own calculation of tax liabilities (self - assessment). The tax authorities may conduct a tax audit at any time for up to ten years after the tax was due.

Tax (benefit) expense of the Company consists of the following :

|                                             | 1999          | 1998               |
|---------------------------------------------|---------------|--------------------|
|                                             | Rp '000'000   | Rp '000'000        |
| Deferred tax expense (benefit)              |               |                    |
| Parent Company                              | (25,120)      | (935,490)          |
| Subsidiary                                  | 33,801        | (65,187)           |
| <b>Total deferred tax expense (benefit)</b> | <b>8,681</b>  | <b>(1,000,677)</b> |
| Current tax expense                         |               |                    |
| Parent Company                              | -             | -                  |
| Subsidiaries                                | 26,494        | 18,281             |
| <b>Total current tax expense</b>            | <b>26,494</b> | <b>18,281</b>      |
| <b>Total</b>                                | <b>35,175</b> | <b>(982,396)</b>   |

**Current Tax**

Reconciliation between loss before tax in statements of loss and fiscal losses of the Parent Company for the years ended December 31, 1999 and 1998 is as follows :

|                                                                               | 1999               | 1998<br>(As restated -<br>note 2) |
|-------------------------------------------------------------------------------|--------------------|-----------------------------------|
|                                                                               | Rp '000'000        | Rp '000'000                       |
| Loss before tax per Parent Company statements of loss                         | (2,117,929)        | (11,725,587)                      |
| Loss (income) of subsidiaries                                                 | (198,429)          | 73,873                            |
| <b>Loss Before Income Tax of the Parent Company</b>                           | <b>(2,316,358)</b> | <b>(11,651,714)</b>               |
| <b>Positive Corrections :</b>                                                 |                    |                                   |
| Equity in net loss of associated companies (equity method)                    | 68                 | 17,904                            |
| Permanent decline in value of marketable securities                           | 89,369             | -                                 |
| Donations                                                                     | 198                | 1,772                             |
| Employee benefits                                                             | 325                | 169                               |
| Representation                                                                | 1,630              | 1,893                             |
| Loss on investments in securities                                             | -                  | 130,039                           |
| Share in the profit of BII Finance Hongkong                                   | 7,108              | -                                 |
| Provision for contingent loss in securities                                   | -                  | 126,969                           |
| Provision for possible losses on earning assets and<br>foreclosed collaterals | -                  | 5,354,354                         |
| <b>Negative Corrections :</b>                                                 |                    |                                   |
| Share in the loss of from BII Finance Hongkong                                | -                  | (16,439)                          |
| Dividend income (including dividend from mutual fund)                         | -                  | (3,726)                           |
| Provision for possible losses on earning assets and<br>foreclosed collaterals | (3,494,176)        | -                                 |
| Technical assistance fee                                                      | (271)              | (958)                             |
| <b>Total positive fiscal corrections - Net</b>                                | <b>(3,395,749)</b> | <b>5,611,977</b>                  |
| <b>Fiscal Losses</b>                                                          | <b>(5,712,107)</b> | <b>(6,039,737)</b>                |

The computation of current tax expense (benefit) is as follows :

|                                                | 1999          | 1998               |
|------------------------------------------------|---------------|--------------------|
|                                                | Rp '000'000   | Rp '000'000        |
| Current tax expense                            |               |                    |
| Current tax payable of the Parent Company      | -             | -                  |
| Current tax of subsidiaries                    | 26,494        | 18,281             |
| <b>Total current tax expense</b>               | <b>26,494</b> | <b>18,281</b>      |
| Deferred tax (benefit) expense                 |               |                    |
| Deferred tax benefit of the Parent Company     | (25,120)      | (935,490)          |
| Deferred tax (benefit) expense of subsidiaries | 33,801        | (65,187)           |
| <b>Total deferred tax (benefit) expense</b>    | <b>8,681</b>  | <b>(1,000,677)</b> |
| <b>Total tax (benefit) expense</b>             | <b>35,175</b> | <b>(982,396)</b>   |

Net loss and current tax expense of the Parent Company in 1998 were in accordance with the annual tax returns lodged to the Tax Office.

#### Deferred Tax

Deferred tax is computed based on the effect of the temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The details of the Parent Company and its subsidiaries' deferred tax assets and liabilities are as follows :

|                               | As restated - Note 2 |                                         |                      |                                         |                      |
|-------------------------------|----------------------|-----------------------------------------|----------------------|-----------------------------------------|----------------------|
|                               | January 1,<br>1998   | Redorded in<br>the Statement<br>of Loss | December 31,<br>1998 | Recorded in<br>the Statement<br>of Loss | December 31,<br>1999 |
|                               | Rp' 000'000          | Rp' 000'000                             | Rp' 000'000          | Rp' 000'000                             | Rp' 000'000          |
| Deferred tax assets :         |                      |                                         |                      |                                         |                      |
| Provision for possible losses | -                    | 29,529                                  | 29,529               | (330)                                   | 29,199               |
| Fiscal loss                   | -                    | 905,961                                 | 905,961              | 25,450                                  | 931,411              |
| <b>Total - Parent Company</b> | <b>-</b>             | <b>935,490</b>                          | <b>935,490</b>       | <b>25,120</b>                           | <b>960,610</b>       |
| <b>Subsidiary</b>             | <b>4,031</b>         | <b>65,187</b>                           | <b>69,218</b>        | <b>(33,801)</b>                         | <b>35,417</b>        |
| <b>Total</b>                  | <b>4,031</b>         | <b>1,000,677</b>                        | <b>1,004,708</b>     | <b>(8,681)</b>                          | <b>996,027</b>       |

The Company had fiscal losses in 1998 and 1999 amounting to Rp 6,039,737 million and Rp 5,712,107 million, respectively, which could be used for compensating taxable income within the immediately succeeding five years. Deferred tax assets on those fiscal losses was Rp 3,525,553 million.

In 1999, the Company revalued its premises and equipment, resulting to a revaluation increment of Rp 1,343,195 million and a deferred tax liability amounting to Rp 402,959 million. Hence, net deferred tax asset for the fiscal losses was Rp 3,122,594 million after deducting deferred tax liability related to revaluation increment in premises and equipment which might be compensated by the fiscal losses.

Management estimated that the fiscal losses realizable for next five years were only Rp 931,411 million, hence the remaining fiscal losses of Rp 2,191,183 were not recognized as deferred tax asset as of December 31, 1999.



A reconciliation between the total tax expense (income) and accounting loss is as follows :

|                                                                                                        | 1999        | 1998<br>(As restated -<br>note 2) |
|--------------------------------------------------------------------------------------------------------|-------------|-----------------------------------|
|                                                                                                        | Rp '000'000 | Rp '000'000                       |
| Loss before tax per Parent Company statements of loss (accounting loss)                                | (2,117,929) | (11,725,587)                      |
| Loss (income) before tax of subsidiaries                                                               | (198,429)   | 73,873                            |
| Loss before tax of the Parent Company                                                                  | (2,316,358) | (11,651,714)                      |
| Tax benefit computed based on statutory tax rates                                                      | (694,907)   | (3,495,515)                       |
| Equity in net loss of associated companies                                                             | 20          | 5,371                             |
| Donations                                                                                              | 59          | 532                               |
| Employee benefits                                                                                      | 98          | 51                                |
| Representations                                                                                        | 489         | 568                               |
| Share in profit (loss) BII Finance Hongkong                                                            | 2,132       | (4,932)                           |
| Permanent decline in value of securities                                                               | 26,811      | 39,012                            |
| Dividend income                                                                                        | -           | (1,118)                           |
| Technical assistance fee                                                                               | (81)        | (287)                             |
| Provision for possible losses                                                                          | (1,047,923) | 1,614,867                         |
| Estimated unrecovered fiscal losses                                                                    | 1,285,223   | 905,961                           |
| Deferred tax benefit applied against income tax on<br>reevaluation increment in premises and equipment | 402,959     | -                                 |
| Total - Parent Company                                                                                 | (25,120)    | (935,490)                         |
| Tax expense (benefit) of the Parent Company                                                            | (25,120)    | (935,490)                         |
| Tax expense (benefit) of subsidiaries                                                                  | 33,801      | (65,187)                          |
| Total tax expense (benefit)                                                                            | 8,681       | (1,000,677)                       |

## 20. SECURITIES ISSUED

|       | Consolidated |             | Parent Company |             |
|-------|--------------|-------------|----------------|-------------|
|       | 1999         | 1998        | 1999           | 1998        |
|       | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| Bonds | 194,700      | 194,700     | 194,700        | 194,700     |
| Total | 194,700      | 194,700     | 194,700        | 194,700     |

In July 1995, the Company issued bonds in the amount of Rp 194,700 million consisting of :

| Type     | Certificate | Nominal Value | Amount      |
|----------|-------------|---------------|-------------|
|          |             | Rp '000'000   | Rp '000'000 |
| Series A | 600         | 1             | 600         |
| Series B | 450         | 10            | 4,500       |
| Series C | 296         | 100           | 29,600      |
| Series D | 120         | 500           | 60,000      |
| Series E | 100         | 1,000         | 100,000     |
| Total    | 1,566       |               | 194,700     |

The Trustee Agent ("Wali Amanat") for the issuance of these bonds is PT Bank Niaga. The bonds were issued at 100% of nominal value. These bonds will mature within 5 years and are subject to interest at 18.5% per annum for the first year and at floating rates for subsequent years, calculated based on the average interest rates on 6 (six) months time deposits with PT Bank Negara Indonesia Tbk, PT Bank Tabungan Negara, PT Bank Bali Tbk and PT Bank Lippo Tbk plus a premium of 2%.

Interest is payable quarterly in accordance with the payment date stated on each coupon. The first interest coupon was paid on October 1, 1995. The final interest coupon will be paid on July 24, 2000, the maturity date of the bonds.

The bonds are secured by the Company's housing loans (KPR) amounting to Rp 205 billion (105% of the value of bonds issued), the Company's claim from insurance companies on the recovery of life insurance of its debtors and the recovery of fire insurance of the security pledge for the housing loans under a collateral agreement as documented by Notary Adam Kasdarmadji SH in his Notarial Deed No. 289 dated June 23, 1995.

In accordance with the agreement with "Wali Amanat" No. 287 dated June 23, 1995, the Company is required to establish a "bonds sinking fund". Following is the schedule for establishment of the sinking fund.

| Date              | Minimum Percentage of Total<br>Nominal Value of Bonds | Amount<br>Rp'000'000 |
|-------------------|-------------------------------------------------------|----------------------|
| December 31, 1995 | 1%                                                    | 1,947                |
| July 24, 1996     | 1%                                                    | 1,947                |
| July 24, 1997     | 2%                                                    | 3,894                |
| July 24, 1998     | 3%                                                    | 5,841                |
| July 24, 1999     | 4%                                                    | 7,788                |
| July 22, 2000     | 100%                                                  | 194,700              |

Under the agreement, the Company is required to place the required amount of bond sinking fund in time deposits and/or bonds issued or guaranteed by the state-owned banks and/or Certificate of Bank Indonesia or other securities issued by Bank Indonesia or any other kind of deposits as agreed by the Company and "Wali Amanat".

As of December 31, 1999, the bonds sinking funds were placed in bonds which were guaranteed by state-owned banks (see Note 7).

## 21. BORROWINGS

|                                               | Consolidated |             | Parent Company |             |
|-----------------------------------------------|--------------|-------------|----------------|-------------|
|                                               | 1999         | 1998        | 1999           | 1998        |
|                                               | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| <b>Loans received from Bank Indonesia :</b>   |              |             |                |             |
| Two Step Loan (ADB, BEO Japan, OECF and AJDF) | 133,178      | 165,636     | 133,178        | 165,636     |
| Small investment loans (KIK)                  | 230,224      | 99,252      | 230,224        | 99,252      |
| KPRS and KPG                                  | 831          | 861         | 831            | 861         |
| Total Loans Received From Bank Indonesia      | 364,233      | 265,749     | 364,233        | 265,749     |
| Placements from other banks                   | 1,912,617    | 2,552,017   | 607,120        | 908,455     |
| Loans from other banks                        | 2,825,468    | 2,967,542   | 2,544,763      | 2,128,898   |
| Total                                         | 5,102,318    | 5,785,308   | 3,516,116      | 3,303,102   |

The "Two Step Loan" is a loan received through Bank Indonesia from Asian Development Bank, Bank Export Import Japan, AJDF and OECF to be distributed to the Company's customers. The outstanding amount of the "two step loan" as of December 31, 1999 from Asian Development Bank amounted to Rp 78,650 million (1998 : Rp 98,744 million), Bank Export Import Japan was Rp 18,496 million (1998 : Rp 23,780 million), AJDF was Rp 19,380 million (1998 : Rp 21,420 million) and OECF was

Rp 16,652 million (1998 : Rp 21,692 million). The maximum amount of loan facility is the equivalent of US\$ 25 million from Asian Development Bank; JP¥ 2,140 million from Bank Export Import of Japan; JP¥ 995 million from AJDF; and JP¥ 991 million from OECF in Rupiah currency. Loan received will mature in 2005 and 2008 for Asian Development Bank, 2003 for Bank Exim of Japan, 2009 for AJDF and 2013 for OECF.

The loans received from Bank Indonesia, including the two step loans, are unsecured and bear interest at ranging from 4% to 14% (1999 and 1998) per annum. The loans (KIK, KPRS and KPG) will mature in 2007.

Placements from other banks represent the balance of placements from other banks (interbank taking) which are obtained from money markets, with interest rates as of December 31, 1999 ranging from 12% to 13% per annum (1998 : 50% to 55% per annum) for Rupiah placements and 6% to 7% per annum (1998 : 9% to 10% per annum) for foreign currency placements.

The balance of placement from related party banks as of December 31, 1999 amounted Rp 1,305,497 million (1998 : Rp 1,338,611 million) on a consolidated basis and nil (1998 : Rp 40,125 million) on a Parent Company basis. Placement from related party was related to placement with related party (Note 6). Placements from related party amounting to Rp 721,167 million as of December 31, 1999 were either blocked or pledged as collateral.

The balance of loans received from related party banks as of December 31, 1999 amounted Rp 47,570 million (1998 : Rp 214,171 million) on a consolidated basis and Rp 47,570 million (1998 : Rp 214,171 million) on a Parent Company basis.

Loans and placements from related parties were received under similar terms and conditions as those received from non-related parties.

Loans from other banks represent the balance of unsecured loans received from local banks and offshore banks, with an average interest rate of 25% per annum for Rupiah loans (1998 : 30% per annum) and 6% to 8% per annum for foreign currencies loans (1998 : 7% to 9% per annum). The Company signed "Exchange Offer Program Agreements I and II" with Bank Indonesia on August 18, 1998 and May 25, 1999, respectively. The total loans from offshore banks registered under Exchange Offer Programs I and II amounted to US\$ 168 million and US\$ 211 million, respectively. Loans under the Exchange Offer Program I and II include floating rate certificates of deposit amounting to US\$ 99.5 million.

Following is the repayment schedule for the loans registered with Exchange Offer Programs I and II :

| Repayment Schedule               | Repayment Date  | US\$       |
|----------------------------------|-----------------|------------|
| <b>Exchange Offer Program I</b>  |                 |            |
| 15% of outstanding borrowings    | August 25, 1999 | 25,169,628 |
| 30% of outstanding borrowings    | August 25, 2000 | 50,339,256 |
| 45% of outstanding borrowings    | August 25, 2001 | 75,508,884 |
| 10% of outstanding borrowings    | August 25, 2002 | 16,779,752 |
| <b>Exchange Offer Program II</b> |                 |            |
| 8.88% of outstanding borrowings  | June 1, 2002    | 18,750,000 |
| 43.59% of outstanding borrowings | June 1, 2003    | 92,070,000 |
| 43.36% of outstanding borrowings | June 1, 2004    | 91,570,000 |
| 4.17% of outstanding borrowings  | June 1, 2005    | 8,810,000  |

15% of borrowings due on August 25, 1999 have been paid by the Company.

Consolidated loans from other banks included borrowings of PT BII Finance Center, a subsidiary, from Bank Modern (closed bank) amounting to US\$ 2.5 million as of December 31, 1999. The liability has been transferred to the Indonesian Bank Restructuring Agency. Until now, PT BII Finance Center has not yet filed a "letter of commitment" to settle the debt to the Indonesian Bank Restructuring Agency because the "letter of commitment" has not been signed by the Company as the stockholder. PT BII Finance Center is still in process of discussing the matter with the Indonesian Bank Restructuring Agency.

**22. ACCRUED EXPENSES**

|              | Consolidated   |                | Parent Company |                |
|--------------|----------------|----------------|----------------|----------------|
|              | 1999           | 1998           | 1999           | 1998           |
|              | Rp '000'000    | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| Interest     | 824,871        | 694,243        | 693,650        | 600,496        |
| Others       | 7,430          | 13,913         | 6,768          | 13,298         |
| <b>Total</b> | <b>832,301</b> | <b>708,156</b> | <b>700,418</b> | <b>613,794</b> |

**23. OTHER LIABILITIES**

|                                                                           | Consolidated     |                  | Parent Company   |                  |
|---------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                           | 1999             | 1998             | 1999             | 1998             |
|                                                                           | Rp '000'000      | Rp '000'000      | Rp '000'000      | Rp '000'000      |
| Liabilities on export bills which are<br>rediscounted with Bank Indonesia | 4,008,810        | 7,541,579        | 4,008,810        | 7,541,579        |
| Margin deposits                                                           | 214,294          | 16,240           | 26,340           | 14,769           |
| Deferred income                                                           | 21,277           | 27,727           | 17,579           | 24,937           |
| Liability on securitization of future<br>credit card receivable           | 942,199          | 1,104,434        | 942,199          | 1,104,434        |
| Others                                                                    | 586,374          | 1,293,796        | 528,760          | 180,792          |
| <b>Total</b>                                                              | <b>5,772,954</b> | <b>9,983,776</b> | <b>5,523,688</b> | <b>8,866,511</b> |

On July 14, 1997, the Company signed an agreement with Acme Securitisation for securitizing future BII Visa credit card receivables amounting to US\$ 140 million since July 1997. The contract will mature in 2007.

Other liabilities as of December 31, 1999 include notes payable Jexim amounting to US\$ 46.2 million (equivalent to Rp 328,255 million), accrued general and administrative expenses, allowance for possible losses on commitment and contingent liabilities (amounting Rp 44,537 million as of December 31, 1999), and payroll services.

The management believes that allowance for possible losses on commitment and contingent liabilities at balance sheet dates is adequate to cover possible losses arising from those commitment and contingent liabilities.

**24. CAPITAL STOCK****1998**

At the Extraordinary Stockholders Meeting held on June 29, 1998, the stockholders decided to increase the authorized capital of the Company to 12,936,000,000 shares (or to Rp 6,468,000 million). The decision was documented in Notarial Deed of Notary Adam Kasdarmadji, SH, No. 134, 135 and 136 dated June 29, 1998 and was approved by the Minister of Justice of the Republic of Indonesia through his decision letter No. C2-11116.HT.01.04.Th.98 dated August 12, 1998.

**1999**

At the Extraordinary Stockholders Meeting held on February 6, 1999 as documented in Notarial Deed No. 43 dated February 6, 1999 of Notary Sutjipto SH, the Company decided to distribute Series A shares as bonus shares, where holders of 5 existing Series A shares would be entitled to receive 1 new Series A share. The bonus shares were created by the conversion of the capital surplus of the Company amounting to Rp 323,444 million divided into 646,888,994 Series A shares with a par value of Rp 500 per share.



At the Extraordinary Stockholders Meeting held on March 31, 1999, the stockholders decided to increase the Company's authorized capital from Rp 6,468,000 million to Rp 38,000,000 million (consisting of 5,000,000,000 Series A shares with a par value of Rp 500; 204,000,000,000 Series B shares with a par value of Rp 125; and 80,000,000,000 Series C shares with a par value of Rp 125). The stockholders also agreed the Company sold Series B and C shares through Limited Public Offering III in 1999. Total Series B shares issued was 35,891,396,568 shares, and total Series C shares issued was 53,020,603,432 shares. Attached free of charge to the Series B shares were 4,486,424,571 Series II warrants. In addition, 1 (one) Series II warrant will be issued for every 8 Series C shares converted into Series B shares, for a total of 6,627,575,429 Series II warrants. Funds raised amounted to Rp 4.5 trillion from controlling stockholders and the public, and Rp 6.6 trillion from the Indonesian Government. The decision of the Extraordinary Stockholders' Meeting was documented in Notarial Deed of Notary Sutjipto SH, No. 60 dated March 31, 1999 and was approved by the Minister of Justice in his decision letter No. C-5902.HT.01.04.Th.99 dated April 5, 1999.

The Company's stockholders at balance sheet dates are as follows :

| Name of Stockholders                         | December 31, 1999 |                       |                  |
|----------------------------------------------|-------------------|-----------------------|------------------|
|                                              | %                 | Shares (in thousands) | Rp (in millions) |
| Series A shares                              |                   |                       |                  |
| Directors                                    | -                 | 5                     | 3                |
| PT Sinar Mas Multiartha Tbk                  | 0.58              | 540,522               | 270,261          |
| Public (less than 5%)                        | 3.60              | 3,340,833             | 1,670,417        |
| Series B shares                              |                   |                       |                  |
| Directors                                    | 0.04              | 39,968                | 4,983            |
| PT Sinar Mas Multiartha Tbk                  | 0.75              | 694,464               | 86,808           |
| Public (less than 5%)                        | 37.89             | 35,156,965            | 4,394,621        |
| Series C shares                              |                   |                       |                  |
| Indonesian Bank Restructuring Agency Jakarta | 57.14             | 53,020,603            | 6,627,575        |
| Total                                        | 100.00            | 92,793,360            | 13,054,668       |

Sinar Mas Group's ownership of Series A and Series B shares was 18% as of December 31, 1999.

| Name of Stockholders               | December 31, 1998 |                       |                  |
|------------------------------------|-------------------|-----------------------|------------------|
|                                    | %                 | Shares (in thousands) | Rp (in millions) |
| PT Sinar Mas Multiartha Tbk        | 51                | 1,651,542             | 825,771          |
| Somers Nominees (Far East) Limited | 5                 | 165,144               | 82,572           |
| Public (less than 5%)              | 44                | 1,417,758             | 708,879          |
| Total                              | 100               | 3,234,444             | 1,617,222        |

Following is a summary of changes in capital stock during the period from January 1, 1998 up to December 31, 1999 :

|                                                    | Shares         | Paid-up Capital |
|----------------------------------------------------|----------------|-----------------|
|                                                    |                | Rp '000'000     |
| Balance as of January 1, 1998                      | 3,234,402,449  | 1,617,201       |
| Warrants converted to shares during 1998           | 42,520         | 21              |
| Bonus shares in February 1999                      | 646,888,994    | 323,445         |
| Limited Public Offering III in April and June 1999 | 88,912,000,000 | 11,114,000      |
| Warrants converted to shares during 1999           | 26,482         | 1               |
| Balance as of December 31, 1999                    | 92,793,360,445 | 13,054,668      |

**25. ADDITIONAL PAID-IN CAPITAL**

|                                             | Consolidated  |                | Parent Company |                |
|---------------------------------------------|---------------|----------------|----------------|----------------|
|                                             | 1999          | 1998           | 1999           | 1998           |
|                                             | Rp '000'000   | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| Additional paid-in capital - Parent Company | 12,101        | 330,318        | 12,101         | 330,318        |
| Additional paid-in capital - Warrants       | -             | 5,227          | -              | 5,227          |
| Additional paid-in capital - Subsidiaries   | 398           | 398            | -              | -              |
| <b>Total</b>                                | <b>12,499</b> | <b>335,943</b> | <b>12,101</b>  | <b>335,545</b> |

Following is the movement of additional paid-in capital during the period from January 1, 1998 to December 31, 1999 :

|                                                                                                                                    | 1999          |                |
|------------------------------------------------------------------------------------------------------------------------------------|---------------|----------------|
|                                                                                                                                    | Consolidated  | Parent Company |
|                                                                                                                                    | Rp '000'000   | Rp '000'000    |
| Balance as of January 1, 1998                                                                                                      | 335,943       | 335,545        |
| <b>Addition</b>                                                                                                                    |               |                |
| Increase in additional paid-in capital<br>due to conversion of warrants to shares<br>when market price exceeds par value of shares | 1             | 1              |
| <b>Deduction</b>                                                                                                                   |               |                |
| Additional paid-in capital distributed<br>as bonus shares                                                                          | (323,445)     | (323,445)      |
| <b>Balance as of December 31, 1999</b>                                                                                             | <b>12,499</b> | <b>12,101</b>  |

**26. WARRANTS**

In February 1997, the Company issued 286,573,215 Series I warrants exercisable for shares. Such warrants are exercisable between July 16, 1997 and January 17, 2000. Each warrant is exercisable for 1 new share at the exercise price of Rp 1,000 per share. As of December 31, 1999, there were 276,052,810 warrants which had not been exercised for shares (1998 : 276,076,919 warrants).

In April and June 1999, the Company has also issued 4,486,424,571 Series II warrants exercisable for Series B shares. Such warrants are attached to Series B shares and are exercisable between October 6, 1999 and April 16, 2002. Each warrant is exercisable for 1 new Series B share at the exercise price of Rp 220 per share. In addition, 1 (one) Series II warrant will be issued for every 8 Series C shares converted into Series B shares, a total of 6,627,575,429 Series II warrants.

In the Limited Public Offering III, stockholders who exercised their rights were granted, for each Series B share received, an option to purchase 3.15 Series C shares (Government shares) at a price of Rp 125 per share, and for every 8 Series C shares converted into Series B shares there was also 1 warrant attached. The option may be exercised every 6 months and are valid for 3 years. The total number of warrants issued (for Series B shares and Series C shares) totalled 11,114,000,000. As of December 31, 1999, there were 11,113,999,727 Series II warrants which had not been exercised for shares.

**27. DIVIDENDS**

In the Annual Stockholders' Meeting held on June 29, 1998, the stockholders decided not to distribute any dividends. The stockholders also decided in the Annual Stockholders Meeting held on June 30, 1999 not to distribute any dividends in 1999 because the Company was experiencing losses.



**28. DERIVATIVE FINANCIAL INSTRUMENTS**

- a. The Company deals in a variety of derivative financial instruments such as forward exchange and swaps contracts which enable the Company and its customers to manage their interest rate and foreign exchange exposures.

Forward foreign exchange contracts are commitments to deliver currencies to the buyer or to receive delivery of currencies from the seller on a future date at a specified price.

Swap contracts are comprised of currency swaps and interest rate swaps. Swap contracts are commitments to settle in cash on a future date or dates with interest rate commitments or currency amounts based upon a notional principal amount.

Derivative financial instrument trading gives rise to market and credit risks.

The market risk of derivative financial instruments arises from the potential changes in value due to fluctuations in interest and foreign exchange rates. Credit risk is the possibility that a loss may occur due to the failure of a counter-party to fulfill its obligations according to the terms of the contract.

The notional or contract amount of derivative financial instruments stated in the statements of commitments and contingencies represents the volume of outstanding transactions and does not represent the potential for gain or loss associated with the market risk or credit risk on such instruments.

- b. Commitments on purchases and sales of foreign currencies.

Outstanding foreign currencies purchased at balance sheet dates are as follows :

|                                             | Consolidated   |                | Parent Company |                |
|---------------------------------------------|----------------|----------------|----------------|----------------|
|                                             | 1999           | 1998           | 1999           | 1998           |
|                                             | Rp '000'000    | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| <b>Spot Foreign Currencies Purchased</b>    |                |                |                |                |
| United States Dollar (USD)                  | 9,230          | 134,866        | 9,230          | 134,866        |
| Australian Dollar (AUD)                     | -              | 1,477          | -              | 1,477          |
| Deutsche Mark (DEM)                         | -              | 2,388          | -              | 2,388          |
| <b>Total</b>                                | <b>9,230</b>   | <b>138,731</b> | <b>9,230</b>   | <b>138,731</b> |
| <b>Forward Foreign Currencies Purchased</b> |                |                |                |                |
| United States Dollar (USD)                  | 338,244        | 264,769        | 338,244        | 264,769        |
| Singapore Dollar (SGD)                      | 97,990         | 53,194         | 97,990         | 53,194         |
| Great Britain Poundsterling (GBP)           | -              | 7,979          | -              | 7,979          |
| Japanese Yen (JP¥)                          | 6,948          | 66,154         | 6,948          | 66,154         |
| Australian Dollar (AUD)                     | -              | 9,847          | -              | 9,847          |
| EURO (EUR)                                  | 7,148          | -              | 7,148          | -              |
| Deutsche Mark (DEM)                         | -              | 19,108         | -              | 19,108         |
| <b>Total</b>                                | <b>450,330</b> | <b>421,051</b> | <b>450,330</b> | <b>421,051</b> |

Outstanding foreign currencies sold at balance sheet dates are as follows :

|                                        | Consolidated |             | Parent Company |             |
|----------------------------------------|--------------|-------------|----------------|-------------|
|                                        | 1999         | 1998        | 1999           | 1998        |
|                                        | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| <b>Spot Foreign Currencies Sold</b>    |              |             |                |             |
| United States Dollar (USD)             | -            | 186,438     | -              | 186,438     |
| Deutsche Mark (DEM)                    | -            | 9,554       | -              | 9,554       |
| Japanese Yen (JP¥)                     | -            | 8,751       | -              | 8,751       |
| <b>Total</b>                           | -            | 204,743     | -              | 204,743     |
| <b>Forward Foreign Currencies Sold</b> |              |             |                |             |
| United States Dollar (USD)             | 151,965      | 2,660,750   | 151,965        | 2,660,750   |
| Japanese Yen (JP¥)                     | -            | 15,751      | -              | 15,751      |
| <b>Total</b>                           | 151,965      | 2,676,501   | 151,965        | 2,676,501   |

Unrealized losses on forward foreign currency contract transactions for "trading" purposes of the Company as of December 31, 1999 amounted to Rp 793 million (1998 : unrealized loss Rp 1,984 million). The average tenure of forward purchases and sales is 3 months.

The total outstanding forward contracts with related parties as of December 31, 1999 amounted Rp 39,648 million (1998 : Rp 2,181,736 million).

## 29. INTEREST RECEIVED

Interest earned and recognized in 1999 and 1998 are as follows :

|                             | Consolidated |             | Parent Company |             |
|-----------------------------|--------------|-------------|----------------|-------------|
|                             | 1999         | 1998        | 1999           | 1998        |
|                             | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| Loans                       | 2,028,503    | 3,933,989   | 1,802,946      | 3,607,241   |
| Placements with other banks | 1,210,581    | 1,238,319   | 929,617        | 1,237,802   |
| Marketable securities       | 1,517,863    | 1,834,313   | 1,517,863      | 1,787,264   |
| <b>Total</b>                | 4,756,947    | 7,006,621   | 4,250,426      | 6,632,307   |

## 30. INTEREST PAID

Interest incurred and recognized in 1999 and 1998 are as follows :

|                                  | Consolidated |             | Parent Company |             |
|----------------------------------|--------------|-------------|----------------|-------------|
|                                  | 1999         | 1998        | 1999           | 1998        |
|                                  | Rp '000'000  | Rp '000'000 | Rp '000'000    | Rp '000'000 |
| Time deposits                    | 3,986,205    | 5,570,094   | 3,967,143      | 5,448,531   |
| Borrowings and securities issued | 1,066,891    | 1,840,151   | 763,057        | 1,707,453   |
| Demand deposits                  | 417,021      | 636,447     | 397,026        | 634,301     |
| Savings deposits                 | 334,890      | 352,158     | 334,890        | 352,158     |
| Certificates of deposit          | 131,246      | 130,883     | 131,246        | 130,883     |
| <b>Total</b>                     | 5,936,253    | 8,529,733   | 5,593,362      | 8,273,326   |

**31. OTHER REVENUES**

|                                             | Consolidated   |                | Parent Company |                |
|---------------------------------------------|----------------|----------------|----------------|----------------|
|                                             | 1999           | 1998           | 1999           | 1998           |
|                                             | Rp '000'000    | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| Retail administration                       | 53,675         | 40,337         | 53,675         | 40,337         |
| Credit card administration                  | 16,037         | 26,816         | 16,037         | 26,816         |
| Investment banking administration           | 48,172         | 23,965         | 48,172         | 23,965         |
| Banking services                            | 7,308          | 5,845          | 7,308          | 5,845          |
| Foreign currency transaction administration | 1,834          | 3,162          | 1,834          | 3,162          |
| Loan administration                         | 3,343          | 4,544          | 3,343          | 4,544          |
| Export and import administration            | 2,121          | 3,796          | 2,121          | 3,796          |
| Dividend received                           | -              | 3,757          | -              | 3,757          |
| Others                                      | 123,211        | 102,725        | 120,096        | 99,357         |
| <b>Total</b>                                | <b>255,701</b> | <b>214,947</b> | <b>252,586</b> | <b>211,579</b> |

Others include revenues from agency fee, organization fee and other banking operations.

**32. GENERAL AND ADMINISTRATIVE EXPENSES**

|                                                                                                 | Consolidated   |                | Parent Company |                |
|-------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                                 | 1999           | 1998           | 1999           | 1998           |
|                                                                                                 | Rp '000'000    | Rp '000'000    | Rp '000'000    | Rp '000'000    |
| General                                                                                         | 123,855        | 138,401        | 117,609        | 132,022        |
| Rent                                                                                            | 94,697         | 71,658         | 94,697         | 71,658         |
| Permanent decline in value of<br>marketable securities and losses<br>from marketable securities | 89,369         | 168,508        | 89,369         | 168,508        |
| Premium on Government guarantee (see Note 42)                                                   | 74,459         | 62,266         | 74,459         | 62,266         |
| Printing and stationeries                                                                       | 20,217         | 24,826         | 19,584         | 24,107         |
| Banking communication line                                                                      | 20,396         | 24,551         | 20,396         | 24,551         |
| Telephone, telex and wires                                                                      | 24,112         | 21,598         | 23,357         | 21,047         |
| Professional and advisory                                                                       | 20,817         | 14,735         | 15,343         | 11,323         |
| Transportation and utilities                                                                    | 15,578         | 14,500         | 15,522         | 14,500         |
| Promotion                                                                                       | 16,889         | 13,816         | 16,499         | 13,375         |
| Research and development                                                                        | 7,682          | 12,718         | 7,676          | 12,701         |
| Water and electricity                                                                           | 10,376         | 10,499         | 10,240         | 10,326         |
| Supplies                                                                                        | 4,384          | 7,956          | 4,384          | 7,956          |
| Stamps and stamps duty                                                                          | 6,536          | 6,926          | 6,512          | 6,907          |
| <b>Total</b>                                                                                    | <b>529,367</b> | <b>592,958</b> | <b>515,647</b> | <b>581,247</b> |

**33. NON-OPERATING REVENUES**

|                                        | Consolidated   |               | Parent Company |               |
|----------------------------------------|----------------|---------------|----------------|---------------|
|                                        | 1999           | 1998          | 1999           | 1998          |
|                                        | Rp '000'000    | Rp '000'000   | Rp '000'000    | Rp '000'000   |
| Rent                                   | 9,218          | 4,660         | 9,218          | 4,660         |
| Investment income - Net                | 20,049         | -             | 218,480        | -             |
| Gain on sale of premises and equipment | 3,462          | -             | 3,558          | 73            |
| Others                                 | 137,572        | 14,948        | 1,511          | 13,600        |
| <b>Total</b>                           | <b>170,301</b> | <b>19,608</b> | <b>232,767</b> | <b>18,333</b> |

Others included consulting fees and fees for services other than banking operations.

**34. NON-OPERATING EXPENSES**

|                                        | Consolidated  |               | Parent Company |                |
|----------------------------------------|---------------|---------------|----------------|----------------|
|                                        | 1999          | 1998          | 1999           | 1998           |
|                                        | Rp '000'000   | Rp '000'000   | Rp '000'000    | Rp '000'000    |
| Legal, court and mortgage              | 6,007         | 3,409         | 6,007          | 3,409          |
| Penalties and donations                | 380           | 1,773         | 380            | 1,773          |
| Investment loss - Net                  | -             | 17,906        | -              | 91,777         |
| Loss on sale of premises and equipment | -             | 290           | -              | -              |
| Others                                 | 12,994        | 13,439        | 12,539         | 11,045         |
| <b>Total</b>                           | <b>19,381</b> | <b>36,817</b> | <b>18,926</b>  | <b>108,004</b> |

Others included meetings, sports and recreation and other general expenses.

**35. EARNINGS PER SHARE**

The weighted average number of shares outstanding for purposes of computing the loss from operations per share and net income (loss) per share as of December 31, 1999 was 53,844,470,450 shares (1998 : 3,881,310,891 shares). The weighted average number of shares outstanding for purposes of computing the diluted loss from operations per share and net income (loss) per share as of December 31, 1999 was 59,650,114,081 shares (1998 : 4,157,410,882). The weighted average number of shares outstanding as of December 31, 1998 included the retroactive effect of the bonus shares distributed by the Company on February 6, 1999 (Note 24).

The Company's warrants caused an antidilutive effect, which is decreasing loss per share of the Company, hence the Company did not calculate diluted earnings per share.

**36. TRANSACTIONS WITH RELATED PARTIES****Nature of Related Parties**

Related parties are companies under the Sinar Mas Group and parties having special cooperation with companies under Sinar Mas Group.

**Transactions With Related Parties**

In the normal course of business, the Company entered into transactions with related parties (Note 3d) under the same terms and conditions as those done with non-related parties, except loans to employees. Balances with related parties as of balance sheet dates were disclosed in the following accounts: placements with other banks (Note 6), marketable securities (Note 7), loans (Note 8), other assets (Note 13), demand deposits (Note 14), time deposits (Note 16) and borrowings (Note 21). The Company also paid rental fees (Note 10), purchased insurance policies (Note 12), and dealt with purchases/sales of forward foreign exchange contracts (Note 28b) to and from related parties.

The total outstanding commitment and contingent liabilities to related parties (consisting of letters of credit, acceptances, stand by letters of credit, and bank guarantees) as of December 31, 1999 amounted to Rp 2,894,899 million on a consolidated basis and Rp 1,020,786 million on a parent company basis. The Company, Sinar Mas Group and the Indonesian Bank Restructuring Agency had agreed to restructure the repayment schedule of the Parent Company's receivable relating to letters of credit and acceptances from related parties (Note 43d).

**37. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

- a. The balance of assets and liabilities denominated in foreign currencies as of balance sheet dates are as follows :

|                                     | Consolidated      |                   | Parent Company    |                   |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | 1999              | 1998              | 1999              | 1998              |
|                                     | Rp '000'000       | Rp '000'000       | Rp '000'000       | Rp '000'000       |
| <b>Assets :</b>                     |                   |                   |                   |                   |
| Cash                                | 204,466           | 205,235           | 199,607           | 203,789           |
| Demand deposits with Bank Indonesia | 280,572           | 280,273           | 280,572           | 280,273           |
| Demand deposits with other banks    | 2,782,720         | 1,275,728         | 1,897,143         | 996,451           |
| Placements with other banks         | 2,830,743         | 3,479,759         | 1,362,262         | 1,523,641         |
| Marketable securities               | 6,497,125         | 9,930,871         | 6,334,210         | 9,812,873         |
| Loans                               | 8,906,415         | 12,439,308        | 7,655,764         | 10,626,665        |
| Income receivables                  | 253,189           | 189,533           | 196,952           | 158,375           |
| Prepayments                         | 898               | 1,776             | -                 | -                 |
| Investments in shares               | 6,468             | 8,345             | 316,368           | 215,842           |
| Premises and equipment              | 17,010            | 20,563            | -                 | -                 |
| Other assets                        | 53,952            | 931,794           | 52,192            | 927,098           |
| <b>Total</b>                        | <b>21,833,558</b> | <b>28,763,185</b> | <b>18,295,070</b> | <b>24,745,007</b> |
| <b>Liabilities :</b>                |                   |                   |                   |                   |
| Demand deposits                     | 4,883,787         | 2,314,244         | 4,032,782         | 2,206,085         |
| Savings deposits                    | 3,176             | 2,402             | 1,134             | 515               |
| Time deposits                       | 4,390,461         | 6,803,752         | 3,990,390         | 6,534,466         |
| Certificates of deposit             | 199,099           | 1,129,194         | 198,800           | 1,129,118         |
| Other current liabilities           | 17,677            | 134,218           | 1,292             | 106,770           |
| Taxes payable                       | 16,438            | 6,585             | -                 | -                 |
| Borrowings                          | 4,164,531         | 4,950,801         | 2,592,883         | 2,468,596         |
| Accrued expenses                    | 193,536           | 217,296           | 62,999            | 125,454           |
| Other liabilities                   | 5,549,917         | 9,893,895         | 5,336,665         | 8,784,487         |
| <b>Total</b>                        | <b>19,418,622</b> | <b>25,452,387</b> | <b>16,216,945</b> | <b>21,355,491</b> |



## b. Net Open Position

The following is the Company's foreign currency net open position as submitted to Bank Indonesia. The net open position for 1998 did not include the Company's branches domiciled outside of Indonesia.

| Currency                    | Assets            | Liabilities       | Net            |
|-----------------------------|-------------------|-------------------|----------------|
| <b>1999</b>                 |                   |                   |                |
| United States Dollar        | 26,472,321        | 26,319,509        | 152,812        |
| Great Britain Poundsterling | 13,648            | 12,994            | 654            |
| Japanese Yen                | 28,431            | 27,718            | 713            |
| Deutsche Mark               | 6,312             | 10,133            | (3,821)        |
| Netherlands Guilder         | 1,161             | 98                | 1,063          |
| French Franc                | 1,659             | 164               | 1,495          |
| Hong Kong Dollar            | 50,098            | 28                | 50,070         |
| Indian Rupee                | 129,840           | 73,667            | 56,173         |
| Italian Lire                | 608               | 75                | 533            |
| Malaysian Ringgit           | 423               | 54                | 369            |
| Mauritius Rupee             | 1,122             | 24                | 1,098          |
| New Zealand Dollar          | 906               | 491               | 415            |
| Australian Dollar           | 14,065            | 12,929            | 1,136          |
| Belgian Franc               | 298               | -                 | 298            |
| Canadian Dollar             | 661               | 56                | 605            |
| Swiss Franc                 | 1,033             | 67                | 966            |
| Danish Krone                | 350               | -                 | 350            |
| Spanish Peseta              | 357               | -                 | 357            |
| EURO                        | 23,249            | 17,780            | 5,469          |
| Swedish Krone               | 528               | -                 | 528            |
| Singapore Dollar            | 297,801           | 328,851           | (31,050)       |
| Thai Baht                   | 6                 | -                 | 6              |
| <b>Total</b>                | <b>27,044,877</b> | <b>26,804,638</b> | <b>240,239</b> |
| <b>1998</b>                 |                   |                   |                |
| United States Dollar        | 27,217,951        | 27,261,946        | (43,995)       |
| Great Britain Poundsterling | 10,875            | 11,424            | (549)          |
| Japanese Yen                | 128,749           | 127,641           | 1,108          |
| Deutsche Mark               | 138,534           | 31,951            | 106,583        |
| Netherlands Guilder         | 1,361             | 32                | 1,329          |
| Others                      | 342,735           | 270,084           | 72,651         |
| <b>Total</b>                | <b>27,840,205</b> | <b>27,703,078</b> | <b>137,127</b> |

The above net open position includes the net open position of receivable and payable from commitments and contingencies of administrative accounts in foreign currency.

The net open position as of December 31, 1999 was calculated according to Decree of Bank Indonesia No. 31/178/KEP/DIR dated December 31, 1998.

**38. PENSION FUND**

The Company has a defined benefit pension plan for all its permanent employees. Permanent employees older than 18 years of age or who are married are eligible to join the plan. The pension fund is managed by Dana Pensiun Bank Internasional Indonesia and is invested in short-term time deposits and shares.

In April 1996, the pension fund scheme of the Company was changed from a defined benefit pension plan to a defined contribution pension plan. The change of the pension fund scheme was approved by the Department of the Finance of the Republic of Indonesia in its decision letter No. Kep-147/KM.17.1996 dated April 16, 1996.

Pension expense for the years ended December 31, 1999 and 1998 amounted to Rp 1,987 million and Rp 1,640 million, respectively.

### 39. LEGAL MATTERS

#### a. Bank Bukopin

In March 2000, Bank Bukopin filed a lawsuit against the Company seeking compensation amounting to Rp 487 billion for material losses and Rp 10 trillion for immaterial losses, in relation to the Company's default in payment of obligation to Bank Bukopin in the form of interbank placement amounting to Rp 280 billion plus accrued interest.

On March 14, 2000, based on memorandum of understanding between the Company and Bank Bukopin, both parties agreed that the Company would pay Rp 280 billion for principal plus Rp 32 billion overdue interest. On April 12, 2000, the Company and Bank Bukopin signed a settlement agreement ("Akta Perdamaian"). The Company will make payment to Bank Bukopin amounting to Rp 300 billion and place the remaining amount of Rp 12 billion in an escrow account under the name of the Company at Bank Bukopin. On the other hand, Bank Bukopin will withdraw the case filed against the Company, cancel the confiscatory warrant and its registration at the National Land Agency ("Badan Pertanahan Nasional"). The Company paid to Bank Bukopin the amount of Rp 300 billion on April 25, 2000. Fund in the escrow account amounting to Rp 12 billion had been drawn as Bank Bukopin had withdrawn the case filed against the Company, the confiscatory warrant and its registration at the National Land Agency ("Badan Pertanahan Nasional"), and the Company had received all legal documents from Bank Bukopin.

#### b. PT BII Finance Center

PT BII Finance Center ("BII Finance" or a subsidiary), had become involved in litigation in April 1999 whereby certain creditors - Arab Banking Corporation, Credit Agricole Indosuez and Asian Banking Corporation - filed involuntary bankruptcy petitions against BII Finance alleging non-payment of US\$ 65.3 million (Rp 547,186 million). The creditors also filed another petition against the Company regarding "letter of comfort" issued by the Company for the creditors' interests. The commercial court and supreme court dismissed the bankruptcy petition on August 2, 1999 and October 4, 1999, respectively. On October 5, 1999, BII Finance has settled its debt to these three creditors with discount of principal and interest. Following the settlement, the creditors have cancelled the case against BII Finance and the Company.

### 40. BUSINESS ACTIVITY INFORMATION BY SEGMENT

Following sets forth certain financial information for the Company and for its subsidiaries :

#### a. Business Activities

| Company                            | Business Activities |
|------------------------------------|---------------------|
| Company                            | Banking             |
| BII Finance Co. Limited, Hong Kong | Banking             |
| Bank International Ningbo, China   | Banking             |
| PT BII Finance Center              | Multifinance        |

**b. Total Assets**

Following is the total assets of the Company and its subsidiaries :

|                                 | 1999        | 1998<br>(As restated -<br>note 2) |
|---------------------------------|-------------|-----------------------------------|
|                                 | Rp '000'000 | Rp '000'000                       |
| Company                         | 36,681,684  | 31,037,537                        |
| BII Finance Co. Limited         | 455,562     | 467,983                           |
| Bank International Ningbo       | 4,388,008   | 5,084,564                         |
| PT BII Finance Center           | 83,603      | 476,554                           |
| Total Assets Before Elimination | 41,608,857  | 37,066,638                        |
| Less elimination                | (1,423,618) | (1,824,800)                       |
| Total Assets After Elimination  | 40,185,239  | 35,241,838                        |

**c. Interest Received**

Following is the interest received of the Company and its subsidiaries :

|                                            | 1999        | 1998        |
|--------------------------------------------|-------------|-------------|
|                                            | Rp '000'000 | Rp '000'000 |
| Company                                    | 4,250,426   | 6,632,307   |
| BII Finance Co. Limited                    | 37,522      | 57,351      |
| Bank International Ningbo                  | 450,093     | 317,910     |
| PT BII Finance Center                      | 35,402      | 100,198     |
| Total Interest Received Before Elimination | 4,773,443   | 7,107,766   |
| Less elimination                           | (16,496)    | (101,145)   |
| Total Interest Received After Elimination  | 4,756,947   | 7,006,621   |

**d. Net Operating Revenues (Expenses)**

Following is the net operating revenues (expenses) of the Company and its subsidiaries:

|                                                 | 1999        | 1998         |
|-------------------------------------------------|-------------|--------------|
|                                                 | Rp '000'000 | Rp '000'000  |
| Company                                         | (2,331,770) | (11,635,916) |
| BII Finance Co. Limited                         | 3,920       | (16,133)     |
| Bank International Ningbo                       | 139,723     | 86,996       |
| PT BII Finance Center                           | (20,427)    | (190,231)    |
| Total Net Operating Expenses Before Elimination | (2,208,554) | (11,755,284) |
| Less elimination                                | -           | -            |
| Total Net Operating Expenses After Elimination  | (2,208,554) | (11,755,284) |

**e. Net Income (Loss)**

Following is the net income (loss) of the Company and subsidiaries :

|                             | 1999        | 1998<br>(As restated -<br>note 2) |
|-----------------------------|-------------|-----------------------------------|
|                             | Rp '000'000 | Rp '000'000                       |
| Company                     | (2,092,809) | (10,790,097)                      |
| BII Finance Co. Limited     | 3,483       | (16,439)                          |
| Bank International Ningbo   | 113,485     | 69,028                            |
| PT BII Finance Center       | 81,463      | (110,049)                         |
| Net Loss Before Elimination | (1,894,378) | (10,847,557)                      |
| Less elimination            | (198,431)   | 57,460                            |
| Net Loss After Elimination  | (2,092,809) | (10,790,097)                      |

**f. Following is a segment information on banking and multifinance business :**

|                        | 1999        | 1998<br>(As restated -<br>note 2) |
|------------------------|-------------|-----------------------------------|
|                        | Rp '000'000 | Rp '000'000                       |
| Banking                |             |                                   |
| Total assets           | 41,525,254  | 36,590,084                        |
| Interest received      | 4,738,041   | 7,007,568                         |
| Net operating expenses | (2,188,127) | (11,565,053)                      |
| Net loss               | (1,975,841) | (10,737,508)                      |
| Multifinance           |             |                                   |
| Total assets           | 83,603      | 476,554                           |
| Interest received      | 35,402      | 100,198                           |
| Net operating expenses | (20,427)    | (190,231)                         |
| Net loss               | 81,463      | (110,049)                         |

**41. THE EFFECTS OF THE ADVERSE ECONOMIC CONDITION ON THE ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES**

Since the middle of 1997, many Asia Pacific countries, including Indonesia, have been experiencing adverse economic condition, mainly resulting from currency depreciation in the region. The liquidation and closure of several banks in Indonesia since November 1997 has had a negative impact on public confidence in the Indonesian banking system. The principal consequences are an extreme lack of liquidity, high interest rates, and highly volatile exchange rates. The crisis has also involved tightening of available credit, drastic decline in market values of securities, stoppage or postponement of certain construction projects, over supply of property, decrease in purchasing power of consumers, and slowing down of economic activity throughout the region.

The economic condition have created uncertainty as to debtors' ability to fulfill their liabilities on due dates, thereby increasing the credit risk inherent in the earning assets portfolio of the Company and its subsidiaries. The adverse economic condition has also affected the cost of funds of the Company and its subsidiaries. Volatility in exchange rates has increased the risk in foreign currency transactions of the Company. These factors have caused the Company and its subsidiaries to suffer significant losses arising from negative interest spread and provision for possible losses on earning assets.

In 1999, even though the economic condition has shown signs of improvements, as indicated by, among others, the decrease in interest rates and inflation, relatively stable foreign exchange rates and strengthening of prices of shares in the capital market; generally, the Indonesian banking business has not yet recovered, mainly due to a substantial amount of non-performing loans and lack of capital.

In response to the worsening financial condition, the management, major stockholder, and the Government have taken the following actions :

- a. On May 28, 1999, the Company and Sinar Mas Group as controlling stockholder, the Government of the Republic of Indonesia as represented by the Governor of Bank Indonesia, the Chairman of the Indonesian Bank Restructuring Agency and the Minister of Finance signed an "Investment, Management and Performance Agreement" along with the agreements in connection with the Company's recapitalization program. The scope of the agreement includes the following matters :
  1. Capital structure for recapitalization through limited public offering;
  2. Rules of corporate governance to achieve the Company's performance targets in the next 3 years, including appointment of a compliance director;
  3. Determination of requirements and instruments to transfer and recover assets classified as loss (category 5) transferred to the Indonesian Bank Restructuring Agency;
  4. Requirements, rules and determination of divesting instruments relating to Government shares in the Company to controlling stockholders, investors or other third parties within 3 years after the primary recapitalization agreement is signed; and
  5. Requirements and rules relating to Government bonds in connection with the recapitalization program, including the type of bonds and interest rates on those bonds.
- b. The Company transferred bad assets (non-performing earning assets in loss criteria and foreclosed assets) amounting to Rp 7.2 trillion to the Indonesian Bank Restructuring Agency Assets Management Unit at the end of May 1999 at zero value.
- c. In accordance with Government Regulation No. 34 dated May 24, 1999, the Indonesian Government committed to make a capital investment in the Company in the maximum amount of Rp 8.7 trillion. The balance of the capital investment of the Indonesian Government in the Company as of December 31, 1999 was Rp 6.6 trillion. Hence, the Government was the major stockholder (57%). Such amount was Rp 2.1 trillion lower than the maximum amount because the controlling and public stockholders have invested capital in excess of the minimum 20% of the total recapitalization amount needed to achieve a CAR of 4%.
- d. The controlling and public stockholders of the Company injected additional capital in cash to the Company amounting to Rp 4.5 trillion in April and June 1999, through Limited Public Offering III.

The management continues to be prudent by taking strategic steps to face the condition, including the following among others:

- a. The Company's management has increased supervisory actions and has performed intensive analysis of the debtors' conditions and restructured the loans granted up to recent time.
- b. The Company tries to balance foreign exchange exposures in an effort to control its net open position in compliance with Bank Indonesia's regulations.



For an indefinite period in the future, the Company and its subsidiaries will continue to be affected by the economic condition, resulting in uncertainty relating to their future operations, recovery of their assets and their ability to fulfill their obligations when they mature. The consolidated financial statements include the effects of the economic condition to the extent they can be determined and estimated. Resolution of the economy to sound and stable condition is dependent on monetary and fiscal measures being taken by the Indonesian Government, actions which are beyond the Company and its subsidiaries' control, to achieve economic recovery. It is not possible to determine the future effects the continuation of economic condition may have on the liquidity and earnings of the Company and its subsidiaries and the realization of their receivables.

#### **42. GOVERNMENT GUARANTEE ON OBLIGATIONS OF PRIVATE BANKS**

Based on the decision letter from the Minister of Finance of the Republic of Indonesia No. 26/KMK.17/1998 dated January 28, 1998, and Joint Decree of the Governor of Bank Indonesia and the Chairman of the Indonesian Bank Restructuring Agency No. 32/46/KEP/DIR and 181/BPPN/0599 dated May 14, 1999, regarding "Requirements and Procedures on Government Guarantee on Obligations of Private Banks", the Government will guarantee the obligations of private banks including demand deposits, savings deposits, time deposits and on-call deposits, bonds, marketable securities, interbank borrowings, loans received, letters of credit, acceptances, currency swaps, other contingent liabilities such as bank guarantees, standby letters of credit, performance bonds and other kinds of liabilities other than those excluded in the said decision letter, such as subordinated loans, and liabilities to directors, commissioners and related parties of the Company. The guarantee is valid for 2 years starting from January 26, 1998 up to January 31, 2000. The guarantee period is extended subsequently by the Indonesian Government.

#### **43. SUBSEQUENT EVENTS**

- a. The composition of the Company's Board of Commissioners and Directors in accordance with Minutes of Meeting No. 33 dated March 27, 2000 from Notary Fathiah Helmi SH, is as follows :

|                               |   |                                                                                                            |
|-------------------------------|---|------------------------------------------------------------------------------------------------------------|
| President Commissioner        | : | Rusli Prakarsa                                                                                             |
| Deputy President Commissioner | : | Winarto Soemarto                                                                                           |
| Commissioners                 | : | Anggito Abimanyu<br>Aditiawan Chandra<br>Suad Husnan<br>Sudiarso                                           |
| President Director            | : | Hiroshi Tadano                                                                                             |
| Deputy President Directors    | : | Yap Tjay Soen<br>Gustiono Kustianto                                                                        |
| Directors                     | : | Fransiska Oei Lan Siem<br>Halim Susanto<br>Hedy Maria Helena Lopian<br>Raymond Yauwenas<br>Rudy N. Hamdani |

- b. The Government as represented by the Indonesian Bank Restructuring Agency had paid the Company an amount of Rp 40,000 million on January 26, 2000 as settlement of principal placement with Bank Aken (frozen bank) and Rp 110,340 million on March 15, 2000 as settlement of principal placement with Bank Dagang Nasional Indonesia (closed bank). These payments were made in relation to of the implementation of the Government guarantee program (Note 6).
- c. On March 15, 2000, the Indonesian Bank Restructuring Agency paid overdue interest amounting to Rp 253,928 million (Note 9) on defaulted placements at frozen/closed banks (Bank Papan, Bank Aken and Bank Dagang Nasional Indonesia).

- d. On March 31, 2000, the Company, the Indonesian Bank Restructuring Agency and Sinar Mas Group signed a memorandum of understanding to restructure the repayment schedule and collateral quality of the Company's receivable as of February 29, 2000 from related parties (Sinar Mas Group). Those receivables included placements with other banks, receivable on export bills, loans given, letters of credit, and acceptances on import L/C (Notes 6, 7, 8 and 36). Sinar Mas Group agreed and promised to settle the debts according to the following repayment schedule :

|                    |                                                                                                                                                          |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| March 31, 2001     | 10% of the Company's outstanding receivable                                                                                                              |
| September 30, 2001 | 15% of the Company's outstanding receivable                                                                                                              |
| March 31, 2002     | 25% of the Company's outstanding receivable                                                                                                              |
| September 30, 2002 | 50% of the Company's outstanding receivable reduced by the Legal Lending Limit in the absence of guarantee from the Indonesian Bank Restructuring Agency |

To keep the Company's financial soundness and to maintain its asset quality, the Indonesian Bank Restructuring Agency will act as guarantor and Sinar Mas Group as counter guarantor. In relation to that matter, Sinar Mas Group has agreed to give, pledge, and provide full power of attorney on assets to the Indonesian Bank Restructuring Agency with nominal value of 145% of the outstanding receivable. The agreement binds Sinar Mas Group, the Company and the Indonesian Bank Restructuring Agency, and will be effective after the Minister of Finance and the Governor of Bank Indonesia give their written approvals, and necessary amendments to Recapitalization Agreement have been made. Until now, the memorandum of understanding is in process of getting approvals from the Minister of Finance and the Governor of Bank Indonesia.

- e. On April 14, 2000, the Company signed a memorandum of understanding with Commonwealth Bank, Australia to sell the whole 50% ownership interest of the Company in PT Bank BII Commonwealth to Commonwealth Bank, Australia at an agreed price of Rp 75,563 million (Note 11).
- f. On April 27, 2000, Sinar Mas Group and the Indonesian Bank Restructuring Agency have agreed and promised to cover losses arising from uncollectible receivables or placements with closed bank and frozen banks (Bank Umum Nasional, Bank Putera Surya Perkasa and Bank Bira) totaling Rp 2.0 trillion, consisting of principal amounting Rp 1.66 trillion (Note 6 and 7) and overdue interest amounting Rp 0.34 trillion as of December 31, 1999 (Note 9) on a proportional basis. Decision to place receivables from Bank Putera Surya Perkasa ineligible for payment will be re-examined in accordance with rules and requirements in the Guarantee Scheme.

Settlement of inter-bank receivables will be done as follows :

**(1) Government/the Indonesian Bank Restructuring Agency**

Indonesian Government as represented by the Indonesian Bank Restructuring Agency, will pay at a maximum of 80% of the value of inter-bank receivables by using Asset Swap mechanism between the inter-bank receivables with (i) Government bonds repurchased from the Company, or (ii) issuance of new Government bonds, or (iii) other assets.

**(2) Sinar Mas Group**

Sinar Mas Group will pay at a minimum of 20% of the value of inter-bank receivables. Settlement of inter-bank receivables will be made by installments.

The Company agreed to transfer the above mentioned inter-bank receivables to the Indonesian Bank Restructuring Agency. The Indonesian Bank Restructuring Agency will do its best to give Sinar Mas Group rights on proceeds from sale of assets received by the Indonesian Bank Restructuring Agency within the framework of obligation settlement of the banks - in maximum amount of the fund disbursed by Sinar Mas Group in settling the aforementioned inter-bank receivables. The memorandum of understanding binds Sinar Mas Group, the Company and the Indonesian Bank Restructuring Agency, and will be effective after the Minister of Finance and the Governor of Bank Indonesia give their written approvals on the settlement plan of the aforementioned inter-bank receivables. Until now, the memorandum of understanding is in process of getting approvals from the Minister of Finance and the Governor of Bank Indonesia.

**44. RECLASSIFICATION OF ACCOUNTS**

Certain accounts in the consolidated financial statements for the year ended December 31, 1998 have been reclassified to conform with the presentation of the consolidated financial statements for the year ended December 31, 1999.

Summary of accounts in 1998 statements of loss before and after reclassifications are as follows :

|                                     | Before<br>Reclassifications<br>Rp '000'000 | After<br>Reclassifications<br>Rp '000'000 |
|-------------------------------------|--------------------------------------------|-------------------------------------------|
| Other expenses                      |                                            |                                           |
| Consolidated                        | 168,508                                    | -                                         |
| Parent Company                      | 168,508                                    | -                                         |
| General and administrative expenses |                                            |                                           |
| Consolidated                        | 424,450                                    | 592,958                                   |
| Parent Company                      | 412,739                                    | 581,247                                   |

This reclassification was made to present loss in securities as part of the general and administrative expenses.

Summary of accounts in 1998 balance sheet before and after reclassifications are as follows :

|                                                                                                                               | Before<br>Reclassifications<br>Rp '000'000 | After<br>Reclassifications<br>Rp '000'000 |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------|
| Marketable securities (including the effect of restatement<br>due to adoption of SFAS No. 50 amounting to Rp 609,769 million) |                                            |                                           |
| Consolidated                                                                                                                  | 10,957,067                                 | 10,507,298                                |
| Parent Company                                                                                                                | 10,843,367                                 | 10,393,598                                |
| Placements with other banks                                                                                                   |                                            |                                           |
| Consolidated                                                                                                                  | 7,627,862                                  | 7,467,862                                 |
| Parent Company                                                                                                                | 5,671,744                                  | 5,511,744                                 |

The reclassification was made to present placements with Bank Indonesia amounting to Rp 160,000 million as part of marketable securities.

**45. OTHER SIGNIFICANT INFORMATION****a. New Statements of Financial Accounting Standards**

The Indonesian Institute of Accountants issued Statement of Financial Accounting Standards (SFAS) No. 48 "Impairment of Assets", SFAS No. 55 "Accounting for Derivatives and Hedging Instruments", and SFAS No. 56 "Earnings Per Share". These three statements become effective on January 1, 2000. Management is currently evaluating the effect of applying these standards on the Company and its subsidiaries' consolidated financial position and results of operations.

**b. Bapepam Regulation on Financial Statement Disclosures**

On March 13, 2000, the Chairman of Bapepam issued Decision No. Kep-06/PM/2000 regarding the change in regulation No. VIII.G.7 concerning Guidelines in Financial Statement Presentation which will be effective for the preparation of financial statements starting on or after January 1, 2000. Fundamental changes from that regulation includes presenting cash flows statements on direct method, equity issuance costs as part of equity while securities issuance costs is deducted from issuance to determine net result of issuing the securities. Outstanding equity and securities issuance costs before the effectivity of this regulation should be treated in accordance with this regulation.

Corporate Data



## Brief History

**1959** Founding of BII as a commercial bank under the name of PT Bank Internasional Indonesia. **1979** Merger with PT Bank Tabungan Untuk Umum 1859 Surabaya, which was finalised in the following year. **1988** Licensed as a foreign-exchange bank. **1989** Initial public offering of 12,000,000 shares at Rp 11,000 per share offering price and Rp 1,000 per share nominal price. **1990** Acquired Allied Asia Finance Co. Ltd., a deposit-taking company in Hong Kong which was later renamed BII Finance Co. Ltd. **1991** Formed a wholly-owned subsidiary PT BII Finance Center, a financial services company in Indonesia licensed for leasing, factoring, venture capital, and consumer finance. **1992** Formed PT BII Investment Management which subsequently, in September 1994, entered into a joint venture with Lend Lease Corporation Limited, a leading financial services group from Australia. The joint-venture company, PT BII Lend Lease Investment Services, focuses on pension fund administration, investment services, and fund management. **1993** Acquired 100% stake in Koon Chung Ltd., which owns 100% shares of Bank International Ningbo in China. **1995** Acquired 9% stake of third-party equity in BII Finance Co., Hong Kong, for full ownership of this company. **1996** Formed PT Bank BII Commonwealth in a 50:50 joint venture with the Commonwealth Bank of Australia. Principle permit from the Minister of Finance was obtained by letter dated May 20, 1996. Named Commercial Bank of the Year in Indonesia by Asiamoney and Euromoney. **1997** Launched PT Bank BII Commonwealth and opened another international representative office, in Manila, the Philippines. Named Commercial Bank of the Year in Indonesia by Asiamoney for the second consecutive year and Best Domestic Bank in Indonesia by Global Finance. **1998** Voted the Best Managed Company for Best Investor Relations in Asiamoney's annual awards for excellence.



## Board of Commissioners

### Rusli Prakarsa

President Commissioner of the Bank since March 27, 2000. After 3 years in Bank Indonesia, from 1971 to 1974, he joined Panin Bank and his last position was Vice President Commissioner. Prior to his banking career, he was a lecturer at several universities. Completed his higher education at Universitas Airlangga, Surabaya, and Universitas Sumatera Utara, Medan.

### Winarto Soemarto

Deputy President Commissioner of the Bank since September 1, 1999. Has more than 30 years of banking experience in Indonesia. He was previously President Director of BNI, the largest publicly listed bank in Indonesia and Bank Duta, an Indonesian private commercial bank. Prior to that he was a Director of Bank Rakyat Indonesia, an Indonesian state-owned commercial bank. He received an MBA from the University of the City of Manila.

### Anggito Abimanyu

Commissioner of the Bank since March 27, 2000. A highly respected Indonesian economist holding a Masters degree and a PhD from the University of Pennsylvania, USA. He currently lectures at the Universitas Gajah Mada, Yogyakarta, and is also a member of the National Economic Council (DEN).

### Aditiawan Chandra

Commissioner of the Bank since September 1, 1999. Has more than 24 years experience in academic fields related to business management, including his latest appointment as Director of the Master in Management Program at Universitas Indonesia, Jakarta. He was Vice President Commissioner of PT Semen Padang, an Indonesian cement company, from 1990 to 1995. His various works on aspects of Indonesian businesses have been published extensively. He received a Bachelor in Economics from the Universitas Indonesia in 1977, a Masters degree from the University of Wisconsin in 1979, and a PhD from the University of North Carolina in 1985.

### Suad Husnan

Commissioner of the Bank since September 1, 1999. Previously a Commissioner of PT Bank Exim, one of the former state-owned commercial banks which has now been merged into Bank Mandiri, as well as a Commissioner of PT Sari Husada Tbk. As a professional academician, his works have been published in numerous international financial journals. He received a Bachelors degree in Business Economics from the Universitas Gajah Mada, Yogyakarta, in 1975, a Master in Business Administration from the Catholic University, Leuven, Belgium in 1981, and a PhD in Finance from the University of Birmingham, England in 1990.

### Sudiarso

Commissioner of the Bank since September 1, 1999. Formerly a Director of Bank Indonesia, Indonesia's central bank, from 1968 to 1971. He was President Commissioner of Bank PDFCI, an Indonesian private commercial bank. He graduated from N.E.H. Rotterdam School of Economics of the Erasmus University, Rotterdam, Netherlands in 1957.

## Board of Directors

### **Hiroshi Tadano**

President Director of the Bank since March 27, 2000. Previously, Deputy President Director of the Bank. A Japanese citizen, he is a professional banker with over 30 years of experience including more than 20 years of overseas assignments. He joined Sumitomo Bank Ltd in Tokyo and worked at various offices in New York, Panama, Jakarta, Seoul, and Singapore. Prior to joining BII in 1998, he was a Vice President Commissioner of PT Bank Merincorp, Jakarta. He graduated from the Otaru University of Commerce, Japan in 1968.

### **Yap Tjay Soen**

Deputy President Director of the Bank since March 27, 2000. He has been with the Bank since September 1, 1999 as Managing Director, Finance. Prior to that he was the Chief Operating Officer of Asia Food & Properties in Singapore. From 1989 to 1998, he held several management positions at PT Astra International and its affiliates. From 1980 to 1988, he worked with Citibank (Indonesia), where he was last a Vice President. He acquired a Bachelor of Engineering in 1976 and a Master in Business Administration in 1980 from McGill University, Montreal, Canada.

### **Gustiono Kustianto**

Deputy President Director of the Bank since March 27, 2000. His professional experience spans over 20 years in various banks and corporations. He spent four years with Citibank, N.A. and PT Citicorp Finance Indonesia with his last position being Vice President in relation to Risk Management. His most recent appointment was Division Head of Asset Management Investment of the Indonesian Bank Restructuring Agency (IBRA). He earned his MBA from the Indonesian Institute for Management Development (IPMI), Jakarta and a degree in Civil Engineering from Petra Christian University, Surabaya.

### **Rudy N. Hamdani**

Director of the Bank since March 27, 2000. He joined BII in 1987 and has been associated with the establishment and development of the credit card business at BII. Completed his Business Administration and Economic degree from St. Mary's College, California, USA in 1987.

### **Halim Susanto**

Director of the Bank since March 27, 2000. His last appointment was with Standard Chartered Bank where he held various senior positions in Treasury as Head of FX Option, Head of Derivatives, and Head of Treasury - Sales and Marketing. Prior to that he was with American Express Bank, Rabobank Duta Indonesia, and Citibank N.A. He graduated (cum laude) from University of Houston, Texas, USA in 1989.

### Fransiska Oei

Director of the Bank since March 27, 2000. She has held various senior management positions in legal affairs at Citibank and other leading Indonesian banks and companies. Her latest position was Chief of Staff to the Country Manager, Citibank. She obtained her Master of Law from Universitas Trisakti, Jakarta in 1981.

### Hedy Lopian

Director of the Bank since March 27, 2000. Previously Director of Corporate Banking, American Express Bank, Jakarta. She started her banking career in the United States at the Union Bank, Los Angeles, and Bank of Trade, San Francisco. She has worked for several international banks operating in Indonesia such as Standard Chartered Bank, American Express Bank and ING Indonesia Bank. She holds an MBA from the Joseph M. Katz Graduate School of Business, University of Pittsburgh, USA in 1985.

### Raymond Yauwenas

Director of the Bank since March 27, 2000. Previously Director of Tunas Sepadan Investama, an IBRA (Indonesian Bank Restructuring Agency) Holding Company. Prior to that he has been associated with Citibank, Astra, and other leading companies in the field of operations, internal control, credit and business development. He earned his BSc from Sophia University, Japan in 1979, and MBA from the Marshall School of Business, University of Southern California, USA in 1982.

## Senior Management

### Division Head - Head Office

|                                            |                         |
|--------------------------------------------|-------------------------|
| Accounting & Finance                       | Otto S. Tirajo          |
| Credit Analysis & Review                   | Pudjiwaningsih Tunggono |
| Investor Relations                         | Andre Purnawan          |
| IBRA, KKPA & Asset Management Coordination | Jopie Gumay             |
| Logistic & Building Management             | Ekaputra O yong         |
| Business Development                       | Supratman Gunawan       |
| Human Resources Development                | G. G. Liwang            |
| Operations Research & Development          | Erzon                   |
| Problem Loan Restructuring 1               | Earl D. Santawirya      |
| Problem Loan Restructuring 2               | Honggo Wijoyo           |
| International Banking                      | Toni Dinoto             |
| Investment Banking                         | Henky Pangestu          |
| Commercial Banking                         | Hanafi Himawan          |
| Consumer Banking                           | Ratna Ningsih           |
| Corporate Banking                          | Rudy Gomedi             |
| Retail Banking                             | Rudy N. Hamdani         |
| Syariah Banking                            | Rizal N. Panji          |
| Planning & Comptroller                     | Josef I. Munaba         |
| Internal Audit Group                       | Antonius Halim          |
| Corporate Secretary                        | H.S. Anwar              |

### Jakarta Branch Managers

|                          |                    |
|--------------------------|--------------------|
| Thamrin Main Branch Head | Hermanus H.M.      |
| Juanda Branch Head       | Farida Bau         |
| Fatmawati Branch Head    | Ferry V. Limiardi  |
| Kalibesar Branch Head    | Ign. Kiki Suhertan |

### Area Managers

|                                             |                    |
|---------------------------------------------|--------------------|
| Area I [Sumatera]                           |                    |
| Head                                        | Djaja S. Sutandar  |
| Deputy                                      | Kyardian Aunatalia |
| Area II [West Java & Central Java]          |                    |
| Head                                        | Andrae Krishnawan  |
| Deputy                                      | Rustam Oey         |
| Area III [East Java, Bali & East Indonesia] |                    |
| Head                                        | C.D. Boentoro      |
| Deputy                                      | Hanafi A. Kasim    |

## Representative/Overseas Branch Offices

|                                                       |                     |
|-------------------------------------------------------|---------------------|
| BII Representative Office Singapore                   |                     |
| Senior Representative                                 | Dede Kurnia         |
| BII Representative Office Manila, Philippines         |                     |
| Chief Representative                                  | Francisco S. Varona |
| BII Mumbai Branch, India                              |                     |
| Country Head                                          | Nurmala Damanik     |
| BII Offshore Banking Units, Port Louis                |                     |
| [BII Cayman Islands, BII Cook Islands, BII Mauritius] |                     |
| General Manager                                       | Tonny D. Widjaja    |
| Deputy General Manager                                | Rohan Rodrigues     |
| Deputy General Manager                                | Hendra Sutisna      |

## Subsidiaries/Affiliates

|                                                  |                           |
|--------------------------------------------------|---------------------------|
| PT. BII Lend Lease Investment Services [Jakarta] |                           |
| President Director                               | Indra Novan Ginting       |
| Director                                         | Nugroho Permana Budi      |
| PT. Bank BII Commonwealth [Jakarta]              |                           |
| President Director                               | William Foxlee            |
| Director                                         | Jennie Hananto            |
| Director                                         | Arthur Llewellyn Morris   |
| PT. BII Finance Center [Jakarta]                 |                           |
| President Director                               | Artine S. Utomo           |
| Director                                         | Ferdinand B.M. Wewengkang |
| Director                                         | J. Purwanto               |
| PT. BII Finance Co. Limited [Hong Kong]          |                           |
| Managing Director                                | Juanna Lai                |
| Bank International Ningbo [China]                |                           |
| General Manager                                  | Philip Tang Boon Ngow     |
| Deputy General Manager I                         | Freenyan Liwang           |
| Deputy General Manager II                        | Huang Zhirong             |



## Other Senior Management

### Senior Vice President

BII Pension Fund Financial Institutions  
President's Staff

Affandy Josdaan  
Sintiawan Sinowato

### Vice Presidents

Head Office  
Credit Card Center  
Credit Card Center  
Capital Market  
President's Staff  
Operations Research & Development  
Loan Recovery  
Loan Recovery  
Electronic Banking  
Commercial Banking  
Planning & Comptroller  
Information & Technology  
Information & Technology  
Information & Technology  
Information & Technology  
Treasury  
Legal

Winarto Widjaja  
Johan Sudiato  
Suzanna Irmawati  
Adi Darmadi  
Iman Masjud  
Benny Wirawansa  
Herman Yulianto  
Henrylin Harjati  
Roestamadji  
Sunarya  
Agung Witono S.  
Undang Rahayu  
Haryanto Quaasalmy  
Donald F. Hartono  
Angela Apsarton  
Iswandari Yusuf

### Assistant Vice Presidents

Head Office  
Accounting & Finance  
Accounting & Finance  
Accounting & Finance  
Accounting & Finance  
Overseas Branch Data  
Financial Institution  
Financial Institution  
Capital Market  
Capital Market  
Internal Audit  
Internal Audit  
Credit Control

Effendi Rajagukguk  
Benny Roesamsi  
Ayip M uchlis  
Talip Rachman  
S. Suprpti Djohan  
Ratna M ulyani Santosa  
Trie Rosdiati  
Eva Tanuri  
Sofia Lenny  
Pranoto  
Akhadi  
Buana Wikasa

Human Resources Development  
 Operations Research & Development  
 Operations Research & Development  
 Loan Recovery  
 Loan Recovery  
 Problem Loan Recovery 1  
 Electronic Banking  
 Electronic Banking  
 International Banking  
 Investment Banking  
 Investment Banking  
 Consumer Banking  
 Information & Technology  
 Information & Technology  
 Information & Technology  
 Information & Technology  
 Information & Technology  
 Information & Technology  
 Information & Technology  
 Information & Technology  
 Treasury  
 Treasury

Junus Hartanto Judianto  
 Liliani Santoso  
 Heni Yulia  
 Johnny Tirendra  
 Chairil Asfar Azis  
 Syahrizal Nasution  
 Djoenaidi Hoediono  
 Ignasius Sumiarsa Asan  
 Hillyarti Wibisono  
 Dicky Yanuardi Noorkalam  
 Tony Kasim  
 Yahya S.T. Sin  
 Mia Esti Rezeki  
 Didi B. Heryadi  
 Aloysius Lefaan  
 Kristanto  
 Hasril Harun  
 Hinayana Isnaeni  
 Benny Harkamto  
 Hendra Pranadjaja  
 Eng Hwa Setiabudi  
 Edij  
 Melia Tjandra

#### Area & Branch Offices

Thamrin Main Branch  
 Juanda Branch  
 Surabaya Branch  
 Medan Branch  
 Tanah Abang Sub Branch Office  
 ITC Mangga Dua Sub Branch Office

Ferdi Rindhatmono  
 Muliodihardjo Tanubrata  
 Hevi Angweita  
 Ardy J. William  
 Mery Liwang  
 Tan Moy Hoa

#### Advisors

Information Technology Advisor  
 Technical Advisor  
 Treasury Advisor  
 Technical Advisor

Vijai K. Jain  
 Valentine V. Veloo  
 Tang Meng Tat  
 Gangadharan Copal

## Subsidiary Companies

### BANK INTERNATIONAL NINGBO [BIN], China

BIN was established in March 1993 after having obtained approval from the People's Bank of China. It is the first foreign-owned bank in Zhejiang Province and one of only three in China. BIN is 100% owned by Bank Internasional Indonesia (BII). BIN offers a wide range of international banking services, with the support of BII subsidiaries, partners and correspondent banks around the world, as well as the extensive business network of the Sinar Mas Group worldwide.

### BII FINANCE COMPANY Ltd. [BIIF], Hong Kong

BIIF was incorporated in Hong Kong on June 20, 1974 under the name of Hock Finance Holdings Ltd. and was registered under the Deposit-taking Companies Ordinance as a deposit-taking company on June 19, 1978. On May 31, 1985, the company was acquired by Western Oceanic Holding Company incorporated in Grand Cayman Islands and controlled by the Widjaja family. On September 1, 1991, the company was acquired by Bank Internasional Indonesia, which now owns 100% of BIIF.

### PT BII FINANCE CENTER [BII-FC], Jakarta

BII-FC was formed on February 13, 1991, as a multi-finance services company to engage in leasing, factoring and venture capital. It is also licensed to provide credit-card services and consumer finance.

### PT BII LEND LEASE INVESTMENT SERVICE [BII-LLIS], Jakarta

BII-LLIS was established in September 1994 as a joint venture between PT BII Investment Management, a subsidiary company of BII engaged in investment management and/or advisory services, and Lend Lease Corporate Services Asia, a subsidiary of Lend Lease Corporation Limited of Australia which is currently among the top 20 largest companies in Australia. BII-LLIS relies on the proven track record of Lend Lease in providing its investment management and advisory services in Indonesia by adapting to local conditions and opportunities.

### PT BANK BII COMMONWEALTH [BII-COMM], Jakarta

PT Bank BII Commonwealth is a joint venture of BII and the Commonwealth Bank of Australia with 50-50 shares each. Bank BII Commonwealth received its License in principle from the Minister of Finance of the Republic of Indonesia issued by the Director General of Financial Institutions No. J-588/M K.17/1996 dated May 20, 1996.

## Branch Network

### Thamrin

#### KCU Thamrin

KCP Tanah Abang  
KCP Permata Hijau  
KCP Saharjo/Tebet  
KCP Plaza Indonesia  
KCP Proklamasi  
KCP Pondok Gede  
KCP Jatinegara Timur  
KCP S. Parman  
KCP Gatot Subroto  
KCP Matraman  
KCP Gedung Prince  
KCP Bursa Efek Jakarta  
KCP Kuningan  
KCP Gedung Indah Kiat  
KCP MT Haryono  
KCP Mal Ambassador  
KCP Taman Anggrek  
KCP Sultan Agung  
KCP Klender  
KCP Thamrin  
KCP Cibitung  
KK Kampung Melayu  
KK Hias Rias Cikini  
KK Menara 3  
KK Kota Wisata  
KK Rawasari  
KK Menara Imperium  
KK Serang/  
KK Permata Hijau  
KK Lippo Cikarang

### Juanda

#### KC Juanda

KCP Mangga Besar  
KCP Kelapa Gading

#### KCP Sunter Nirwana/Paradise

KCP Sunter Podomoro  
KCP Palmerah  
KCP Green Ville  
KCP Kebon Jeruk Intercon  
KCP Garuda  
KCP Batu Tulis  
KCP Pemuda  
KCP Samanudi  
KCP Roxy Mas  
KCP Senen  
KCP Angkasa  
KCP Lindeteves Hayam Wuruk  
KCP Green Garden  
KCP Tomang  
KCP Citraland  
KCP Kedoya  
KCP Cideng Barat  
KCP Cempaka Mas  
KCP Ketapang Indah  
KCP Kelapa Gading Bulevar  
KK Cakung  
KK Kelapa Gading Kirana  
KK Danau Sunter II  
KK Alfa Super  
KK Kelapa Gading Bulevar II  
KK Vila Taman Bandara  
KK Danau Sunter Utara

### Fatmawati

#### KC Fatmawati

KCP Warung Buncit  
KCP Ampera  
KCP Pondok Indah  
KCP Ciputat  
KCP Panglima Polim  
KCP Bintaro Permai

#### KCP Depok

KCP Mal Kalibata  
KCP TB Simatupang  
KCP Summitmas  
KCP Kemang Raya  
KCP Cipulir  
KCP Kebayoran Lama  
KCP Bumi Serpong Damai  
KCP Cawang Kencana  
KCP Bintaro Jaya  
KCP Wijaya Graha Puri  
KCP Mal Pondok Indah  
KK Plaza Senayan  
KK Tebah  
KK Plaza Blok M  
KK Sentra Arteri  
KK Mal Pondok Indah

### Kali Besar Barat

KCP Pluit  
KCP Tanjung Priok  
KCP Muara Karang  
KCP Bandengan Utara  
KCP Jelambar  
KCP Cengkareng  
KCP Mangga Dua ITC  
KCP Plaza Glodok  
KCP Bekasi  
KCP Jembatan Lima  
KCP Tangerang  
KCP Mal Mangga Dua  
KCP Daan Mogot I  
KCP Plaza Cikarang  
KK Bandara Soekarno-Hatta  
KK Jembatan Dua  
KK Mal Mega Pluit  
KK Gading Serpong

KK Gajah Mada  
 KK Pesona Indah Kapuk  
 KK Pangeran Jayakarta  
 KK Kalibesar  
 KK Polda Daan Mogot  
 KK Taman Cibodas  
 KK Mal Daan Mogot

### **Mangga Dua Raya**

KC Mangga Dua Raya  
 KK Mal Puri Indah

### **Regional Office I**

Sumatera  
 KC Medan  
 KC Padang  
 KC Batam  
 KC Palembang  
 KC Pematang Siantar  
 KC Lhokseumawe  
 KC Rantau Prapat  
 KC Pekanbaru  
 KC Jambi  
 KC Tanjung Pinang  
 KC Banda Aceh  
 KC Bukittinggi  
 KC Bengkulu  
 KCP Pulo Brayan, Medan  
 KCP Jl. Cirebon, Medan  
 KCP Sutomo, Medan  
 KCP Kebumen, Palembang  
 KK Tomang Elok, Medan  
 KK Binjai, Medan  
 KK Mangkubumi, Medan  
 KK A.R. Hakim, Medan  
 KK Medan Plaza  
 KK Thamrin, Medan

KK Mal Medan, Medan  
 KK Juanda Baru, Medan  
 KK Krakatau, Medan  
 KK Setia Budi Indah, Medan  
 KK Kenten, Palembang  
 KK Lemabang, Palembang  
 KK Polygon, Palembang  
 KK Nangka, Pekanbaru  
 KK Perawang, Pekanbaru  
 KK Batam, Batam  
 KK Plaza Minang, Pondok Padang  
 KK Letkol Iskandar

### **Regional Office II**

West Java, Central Java & Lampung  
 KC Bandung  
 KC Bogor  
 KC Cirebon  
 KC Karawang  
 KC Tasikmalaya  
 KC Cilegon  
 KC Semarang  
 KC Pekalongan  
 KC Magelang  
 KC Salatiga  
 KC Solo  
 KC Purwokerto  
 KC Tegal  
 KC Kudus  
 KC Jogjakarta  
 KC Pontianak  
 KC Bandar Lampung  
 KC Metro, Lampung  
 KCP Buah Batu, Bandung  
 KCP Ahmad Yani, Bandung  
 KCP Setiabudi, Bandung  
 KCP Kopo Plaza, Bandung

KCP Asia Afrika, Bandung  
 KCP Bihbu/Sayati  
 KCP Sayati, Bandung  
 KCP Cibadak  
 KCP Cibinong  
 KCP Dewi Sartika, Bogor  
 KCP Cikampek  
 KCP Sedana, Karawang  
 KCP Soekarno Hatta, Bandung  
 KCP Sultan Agung, Semarang  
 KCP Gang Tengah, Semarang  
 KCP Majapahit, Semarang  
 KCP Mal Ciputra, Semarang  
 KCP Pemuda Klaten  
 KCP Tanjung Karang  
 KCP Cimahi  
 KK Winaon, Cirebon  
 KK Surya Sumantri, Bandung  
 KK Jl. Jakarta, Bandung  
 KK KIIC, Karawang  
 KK Pasar Besar, Solo  
 KK Aji Barang, Purwokerto  
 KK Mangkubumi, Jogja  
 KK Kartasura  
 KK Palur, Karang Anyar  
 KK Tidar, Magelang  
 KK Plaza Semarang, Semarang  
 KK Ambarawa, Semarang  
 KK Rancamaya, Bogor  
 KK Pindodeli, Karawang

### **Regional Office III**

East Java, Bali, & Eastern Part of Indonesia  
 KC Surabaya  
 KC Probolinggo  
 KC Mojokerto



KC Malang  
 KC Kediri  
 KC Jember  
 KC Jombang  
 KC Balikpapan  
 KC Samarinda  
 KC Banjarmasin  
 KC Manado  
 KC Palu  
 KC Ujung Pandang  
 KC Kendari  
 KC Jayapura  
 KC Sampit  
 KC Sorong  
 KC Ambon  
 KC Mataram  
 KC Denpasar  
 KC Singaraja  
 KC Kupang

KCP Pondok Chandra, Surabaya  
 KCP Kapasan, Surabaya  
 KCP Darmo, Surabaya  
 KCP Kertajaya, Surabaya  
 KCP Mayjen Soengkono, Surabaya  
 KCP Kapas Krampung, Surabaya  
 KCP Argopuro, Surabaya  
 KCP Jemur Andayani, Surabaya  
 KCP Jembatan Merah, Surabaya  
 KCP Sidoarjo  
 KCP Kawi, Malang  
 KCP Mal Galaxy, Surabaya  
 KCP Manyar, Surabaya  
 KCP Bongkaran, Surabaya  
 KCP Nusa Dua, Bali  
 KCP Ubud, Bali  
 KCP Kuta Square, Bali  
 KCP Sudirman, Bali

KCP Bontang, Kaltim  
 KCP Kebon Sayur, Balikpapan  
 KCP Sulawesi, Ujung Pandang  
 KCP Bandang, Ujung Pandang  
 KCP Mal Makasar, Ujung Pandang  
 KK Plaza Tunjungan, Surabaya  
 KK Segiri, Samarinda  
 KK Martapura, Banjarmasin  
 KK Plaza Ambon, Ambon  
 KK Dewi Sartika, Bali  
 KK Citraraya, Surabaya  
 KK Sampit

### Overseas Office

Cook Islands (OBU)  
 Cayman Islands (OBU)  
 Mumbai-India (Branch Office)  
 Mauritius-Port Louis (OBU)  
 Singapore (Representative Office)  
 Manila-Philippines (Representative Office)

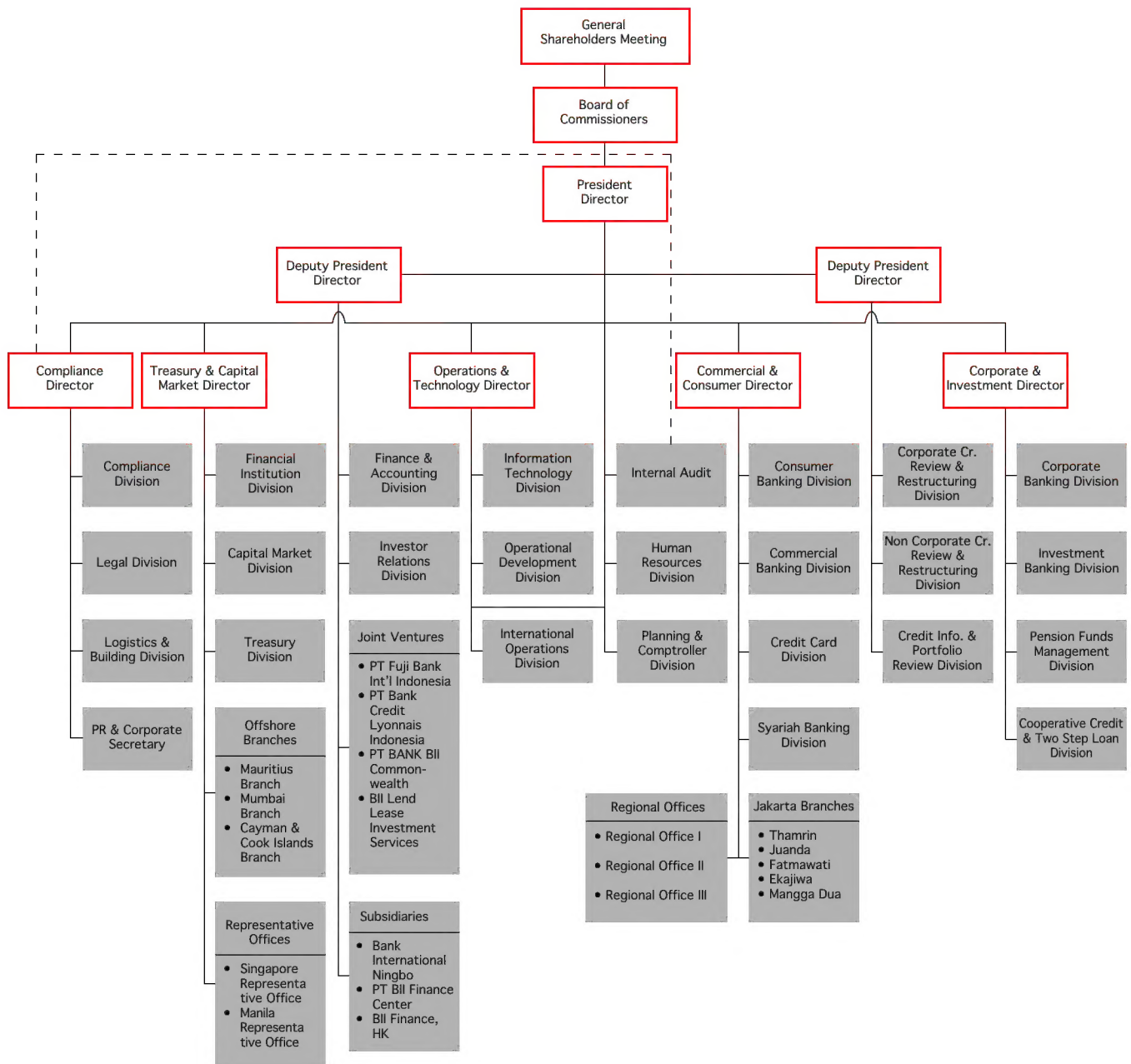
#### Note :

KCU : Main Branch Office  
 KC : Branch Office  
 KCP : Sub-Branch Office  
 KK : Cash Office

## Banking Services

|                                             |                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>DEPOSITS</u>                             | Current Accounts<br>Superpundi Savings<br>Welfare Savings<br>Time Deposits<br>Super Dollar Accounts<br>Certificates of Deposits                                                                                                                                                                                                                                                 |
| <u>CORPORATE BANKING</u>                    | Corporate Loans<br>Loans Syndication<br>Trade Finance<br>Project Finance<br>Bank Advances and Guarantees                                                                                                                                                                                                                                                                        |
| <u>INVESTMENT BANKING</u>                   | Commercial Paper Programs<br>Underwriting/Program of Marketable Securities<br>Capital Market Investments                                                                                                                                                                                                                                                                        |
| <u>TREASURY &amp; INTERNATIONAL BANKING</u> | Foreign Exchange Transactions<br>Correspondent Banking                                                                                                                                                                                                                                                                                                                          |
| <u>RETAIL BANKING</u>                       | Small Business Loans<br>Working Capital Loans<br>Revolving Working Capital Loans<br>Project Feasibility Loans<br>Mortgage Financing for Businesses<br>Car Loans for Businesses                                                                                                                                                                                                  |
| <u>CONSUMER BANKING</u>                     | Mortgage Financing for Individuals<br>Car Loans for Individuals<br>Master card and Visa credit cards<br>Credit Card Current Accounts<br>ATM 'Superkasa'<br>[linked with Cirrus, ALTO & Maestro]<br>Supercall<br>Traveller's Cheques in Rupiah<br>Remittances<br>Utility Bill Payments<br>Private Banking<br>Internet Banking<br>Virtual Banking<br>Western Union Money Transfer |

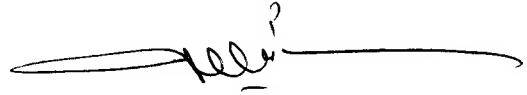
# Organisational Structure



This 1999 Annual Report has been signed by all members of the Board of Commissioners  
and Directors of PT Bank Internasional Indonesia Tbk in May 2000.



Teddy Pawitra  
President Commissioner  
(1 September 1999 - 27 March 2000)



Rusli Prakarsa  
President Commissioner  
(Since March 27, 2000)



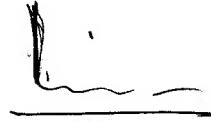
Winarto Soemarto  
Deputy President Commissioner



Suad Husnan  
Commissioner



Aditiawan Chandra  
Commissioner



Sudiarso  
Commissioner



Anggito Abimanyu  
Commissioner



Hiroshi Tadano  
President Director



Yap Tjay Soen  
Deputy President Director



Gustiono Kustianto  
Deputy President Director



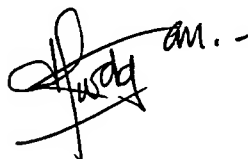
Rudy N. Hamdani  
Director



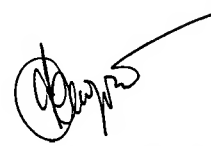
Halim Susanto  
Director



Fransiska Oei  
Director

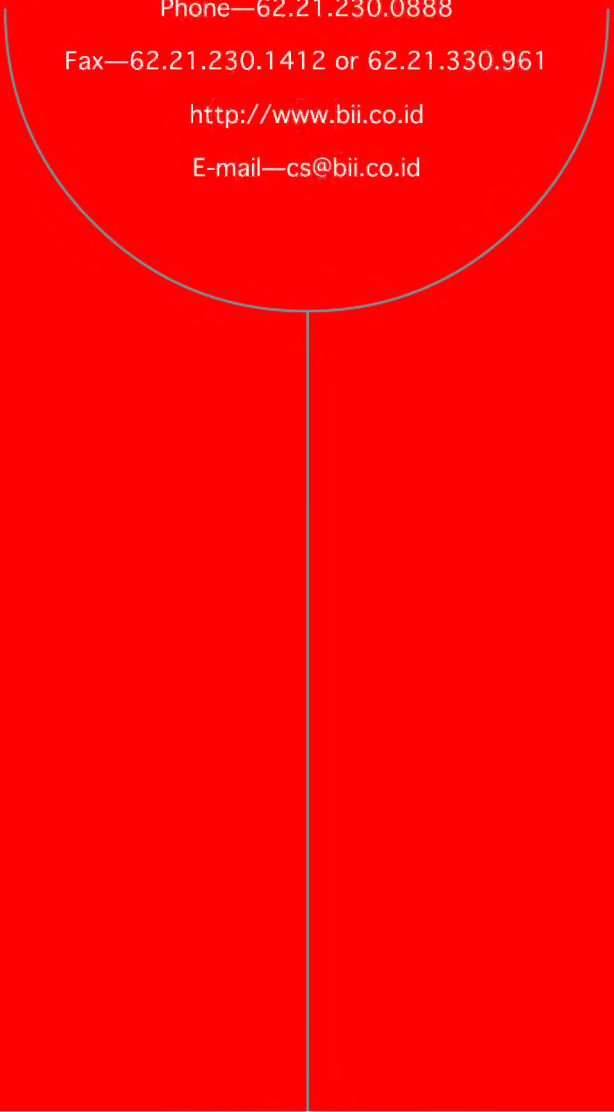


Hedy Lopian  
Director



Raymond Yauwenas  
Director





PT Bank Internasional Indonesia Tbk  
BII Plaza, Tower 2, Jl. M.H. Thamrin Kav. 22  
Jakarta 10350, Indonesia  
Phone—62.21.230.0888  
Fax—62.21.230.1412 or 62.21.330.961  
<http://www.bii.co.id>  
E-mail—[cs@bii.co.id](mailto:cs@bii.co.id)